

DEBT SERVICE FUND

The City of Lufkin finances long term capital projects by issuing bonds. Projects such as street construction and improvements, park construction, building and drainage projects are financed with general obligation bonds and certificates of obligation. Both of these debt instruments are repaid through ad valorem taxes collected by the City. General obligation bonds are typically voter-approved bonds for specific purposes. Certificates of obligation are authorized by the City Council and do not require a vote of the citizens.

Projects for water, wastewater and solid waste purposes such as water and sewer line construction, water and wastewater treatment plant construction, and major equipment purchases are financed with revenue bonds. These bonds are repaid through the revenues collected from user fees charged for services provided. From time to time, combination tax and revenue certificates of obligation are issued for purposes of general government (tax supported) and utilities (revenue supported). This debt is repaid through both ad valorem tax collections and utility revenues in the same proportion as the debt is issued.

The City of Lufkin issues general obligation bonds and certificates of obligation for a term of generally twenty years. The Debt Service Fund accounts for the accumulation of resources for, and the payment of general long-term debt principal and interest. The resources of this fund are generated by a tax levy based on property values and transfers from utility funds for their share of outstanding debt.

The State of Texas limits the ad valorem tax rate to \$2.50 per \$100 valuation. Lufkin's maximum rate, as set by City Charter, is \$1.75. The current ad valorem tax rate is \$0.5585. Although there is no other legal debt limit, the City's policy is to maintain a general obligation debt limit wherein the total outstanding tax-supported debt shall not exceed 5% of the total annual taxable assessed valuation of taxable property. The City's total taxable assessed valuation for Fiscal 2006 is \$1,579,359,027, which, when calculated, provides a policy debt limit of \$78,967,951. The City's total estimated outstanding debt for Fiscal 2006 is \$44,390,000.

Additional tests of indebtedness include Net Debt per Capita (\$) and Ratio of Net Debt to Assessed Value (%). According to the 2000 census, the City's population is 32,709. Based on this figure, the ratios are as follows:

$$\text{Net Debt Per Capita} = \frac{\$44,390,000 \text{ (Net Direct Debt)}}{32,709 \text{ (Population)}} = \$1,357.12$$

$$\text{Ratio of Net Debt to Taxable Assessed Value} = \frac{\$44,390,000 \text{ (Net Direct Debt)}}{\$1,579,359,027 \text{ (Assessed Value)}} = 2.81\%$$

The subsequent table reflects the allocation of the property tax levy between Debt Service and General Fund Operations for Fiscal 2006 and the previous four years.

	<u>Fiscal</u> <u>2002</u>	<u>Fiscal</u> <u>2003</u>	<u>Fiscal</u> <u>2004</u>	<u>Fiscal</u> <u>2005</u>	<u>Fiscal</u> <u>2006</u>
Debt Service Fund	\$0.160200	\$0.182200	\$0.202200	\$0.202200	\$0.202200
General Fund	<u>\$0.356300</u>	<u>\$0.356300</u>	<u>\$0.356300</u>	<u>\$0.356300</u>	<u>\$0.356300</u>
Total Tax Rate	<u>\$0.516500</u>	<u>\$0.538500</u>	<u>\$0.558500</u>	<u>\$0.558500</u>	<u>\$0.558500</u>

The steady increase in taxable value related to both property reappraisals and new construction value additions has allowed the City to maintain a flat tax rate for several years. A tax increase of $\frac{3}{4}$ cent as well as a shift of one cent from the operating and maintenance portion of the tax rate to debt service was included in the Fiscal 2000 budget to fund the 1999 Capital Improvements Program. In May 2001, citizens approved a \$7,686,322 Street Bond Program (2001 Street Bond Program) that required a 6.4-cent tax increase to fund. As a result, tax increases of 2.2 cents per year in Fiscal 2002 and 2003 have been approved in the debt service portion of the tax rate. The third, and final, increase was included in Fiscal 2004 and amounted to a 2-cent increase.

Council adopted a Continuing Capital Improvements Program (CIP) in the fall of 1999 to be financed with Certificates of Obligation (CO). Four bond issues have been sold; one in Fiscal 2000 for \$4,400,000, a second in Fiscal 2002 for \$9,450,000, and a third in September 2003 for \$1,700,000, and a fourth in Fiscal 2004 for \$8,200,000. The CIP calls for one additional bond sale, which will complete funding for the CIP.

The remaining issue of \$3,640,000 is scheduled for February 2006. This issue will consist of \$1,900,000 in CO's, \$1,740,000 in General Obligation, \$1,100,000 in Tax Supported CO's and \$800,000 in Revenue Supported CO's.

The Debt Service Fund is used to account for the accumulation of revenues, i.e. ad valorem taxes and interest income, for the payment of principal and interest on general long-term debt. The first schedule, on page 280 reflects the City's Debt Service Fund. The fund balance in the Debt Service Fund is maintained so that funds can be accumulated to pay the City's general long-term debt obligations with a minimum impact on the tax rate. Consequently, the amount remaining in the fund balance will vary from year to year with the bond financing activity of the City. The minimum fund balance goal to be maintained by the City is 10% of debt service for that year.

The tables, on pages 281 - 293, detail the Debt Service Fund and each current outstanding bond issue that is owed by the City. The tables show the date of issue, the years remaining on the payment schedule, and the amount of principal and interest due in each year. The first debt service table is a summary of all outstanding issues.

REVENUE BOND DEBT SERVICE

Revenue bond debt service is paid from the revenues of the Utility System. Standard and Poor's and Moody's Investment Service have rated the City's Certificate of Obligation bonds A2 and A, respectively. Total outstanding debt at October 1, 2005 is \$13,950,000 and the scheduled payment of principal and interest in Fiscal 2006 is \$1,462,859.

The City entered into agreements with the Army Corps of Engineers in 1970 and 1976 to purchase surface water for present and future water supply rights from Lake Sam Rayburn. The 1970 agreement included the purchase of 18,000 acre-feet of water from the Corps at a cost of \$220,000. The purchase price, financed by a note payable, spans a period of over 50 years at 2.591% interest. As of January 1, 2005 the City had repaid \$130,557. The balance of \$89,443 is scheduled for payment, in full, on January 1, 2019. The second agreement entered into with the Corps was for the purchase of 25,000 acre-feet of water. The total cost of this purchase was \$305,600 to be repaid over a 40-year period at an interest rate of 2.591%. The City currently owes \$104,960 on this note.

The Texas Commission on Environmental Quality (TCEQ) has sanctioned the City to replace approximately 54 miles of asbestos cement water pipe. This project is expected to take six years to

complete at a cost of approximately \$16.0 million. The City has received approval from the Texas Water Development Board (TWDB) for a \$16.0 million loan with which to replace these lines. The loan takes the form of a bond issue, which the TWDB sells. The City draws on these funds at regular intervals, at which time interest begins to accrue on the drawn funds. The first draw was dated November 1, 2000 in the amount of \$715,000. Draw #2, dated July 2002, amounted to \$1,960,000; draw #3, filed with the TWDB in September 2002 amounted to \$1,600,000; draw #4, dated May 2003 for \$1,835,000; draw #5, dated December 2003 for \$1,210,000; draw #6, dated December 2004 for \$845,000. Two draws are anticipated during Fiscal 2006 for a total of \$2,000,000. For budget purposes, November 1, 2005 and May 1, 2006 has been used as the “dated” date for these draws. Additionally, draws #9 and #10, totaling \$5.8 million, are scheduled to be taken in Fiscal 2007, which will complete funding for the water line replacement project.

The CIP includes approximately \$6.8 million of water and sewer projects. These projects, scheduled for construction during the 1999-2005 timeframe, are financed with combination tax and revenue certificates of obligation. This debt is reflected in the General Obligation Debt Service Fund as part of the tax supported debt; however, funds from the Water/Wastewater Utility are transferred to the Debt Service Fund each year to cover the debt service associated with any revenue-supported projects. Consequently, of the \$9.75 million issued in Fiscal 2002, \$1.9 million was for water and wastewater projects. The amount to be transferred to the Debt Service Fund in Fiscal 2006 is \$1,242,410.

The tables relating to Revenue Bond debt on pages 295 through 306 include each current outstanding bond issue owed by the City, including the \$2 million scheduled for withdrawal from the Texas Water Development Board loan in Fiscal 2006. The tables reflect the date of issue, the years remaining on the payment schedule, and the amount of principal and interest due in each year. The first Revenue Bond table is a summary of all outstanding issues.

City of Lufkin
General Debt Service Fund
Fiscal 2006 Operating Budget

	FY 2004 Actual	FY 2005 Budget	FY 2005 Revised	FY 2006 Budget
Beginning Balance	\$ 1,882,470	\$ 2,035,844	\$ 2,089,399	\$ 1,898,168
Revenues:				
Ad valorem taxes	2,843,957	3,002,829	3,002,829	3,037,700
Interest income	29,958	16,651	62,550	50,000
Other-transfer from Water/Wastewater Fund	1,041,115	1,073,810	1,073,810	1,242,410
Other-transfer from Solid Waste/Recycling Fund	69,686	59,037	59,037	61,789
Other -transfer from Bond Requirements	700.00	-	-	-
Total revenues	3,985,416	4,152,327	4,198,226	4,391,899
Total Funds Available	\$ 5,867,886	\$ 6,188,171	\$ 6,287,625	\$ 6,290,067
Expenditures:				
Principal	2,135,000	2,350,000	2,350,000	2,675,000
Interest	1,631,987	2,030,707	2,030,707	1,964,701
Fees	11,500	5,250	5,250	6,750
Misc Services	-	-	3,500	7,000
Total expenditures	3,778,487	4,385,957	4,389,457	4,653,451
Excess (deficiency) of revenues over (under) expenditures	206,929	(233,630)	(191,231)	(261,552)
Fund balances – ending	2,089,399	1,802,214	1,898,168	1,636,616
Total Funds Applied	\$ 5,867,886	\$ 6,188,171	\$ 6,287,625	\$ 6,290,067

**GENERAL OBLIGATION BONDS
DEBT REQUIREMENTS
SUMMARY
Fiscal 2006 Operating Budget**

Issue	Purpose	Principal Outstanding 10/1/2005	Requirements for Fiscal 2006			
			Principal	Interest	Paying Agent Fees	Total
1996	G.O. Improvements	2,025,000	350,000	100,176	450	450,626
1998	G.O./Utility Improvements	3,900,000	175,000	184,150	450	359,600
1999	G.O./Utility Improvements	3,725,000	175,000	199,012	450	374,462
2002	G.O. Improvements	2,025,000	75,000	99,218	550	174,768
2002	G.O./Utility Improvements	8,675,000	325,000	423,376	550	748,926
2002	G.O. Refunding Bond ¹	6,925,000	1,150,000	224,869	550	1,375,419
2003	G.O. Improvements	3,625,000	125,000	158,050	750	283,800
2003	G.O./Utility Improvements	1,650,000	50,000	74,850	750	125,600
2004	G.O./Utility Improvements	8,200,000	250,000	410,000	750	660,750
2006	G.O. Improvements ²	1,740,000	-	43,500	750	44,250
2006	G.O./Utility Improvements ²	1,900,000	-	47,500	750	48,250
Total		<u>\$44,390,000</u>	<u>\$2,675,000</u>	<u>\$1,964,701</u>	<u>\$6,750</u>	<u>\$4,646,451</u>

¹ The 2002 Refunding Bonds refunded the 1994 General Obligation and the 1993-A Revenue Bonds.

² Issues included in outstanding debt at 10/01/05 for financial planning and budget purposes only.

**GENERAL OBLIGATION BONDS
ANNUAL DEBT SERVICE REQUIREMENTS
All Series**

Fiscal Year	Principal	Interest 15-Feb	Interest 15-Aug	Paying Agent Fees	Total
2006	2,675,000	941,013	1,023,688	6,750	4,646,451
2007	2,860,000	975,045	966,465	6,750	4,808,260
2008	2,970,000	913,638	904,185	6,750	4,794,573
2009	3,205,000	849,944	839,988	6,750	4,901,682
2010	2,710,000	782,073	782,073	6,750	4,280,896
2011	2,490,000	719,547	719,547	6,300	3,935,394
2012	2,545,000	663,110	663,110	6,300	3,877,520
2013	1,795,000	607,116	607,116	5,750	3,014,982
2014	1,895,000	565,298	565,298	5,750	3,031,346
2015	1,945,000	520,860	520,860	5,750	2,992,470
2016	2,125,000	474,462	474,462	5,750	3,079,674
2017	2,225,000	423,260	423,260	5,750	3,077,270
2018	2,350,000	369,086	369,086	5,750	3,093,922
2019	2,425,000	311,311	311,311	5,750	3,053,372
2020	2,550,000	251,385	251,385	5,750	3,058,520
2021	1,950,000	188,216	188,216	4,850	2,331,282
2022	2,050,000	140,104	140,104	4,850	2,335,058
2023	1,200,000	89,432	89,432	3,750	1,382,614
2024	1,250,000	60,062	60,062	3,750	1,373,874
2025	900,000	52,500	13,750	2,250	961,000
2026	275,000	6,854	6,854	1,500	290,208
Total	<u>\$44,390,000</u>	<u>\$9,904,316</u>	<u>\$9,920,252</u>	<u>\$113,300</u>	<u>\$64,320,368</u>

**DEBT SERVICE
SCHEDULE OF REQUIREMENTS
GENERAL OBLIGATION BONDS
Series 1996**

Original Issue: \$3,650,000

Dated: August 15, 1996

Interest Rate: Various 4.50% - 6.50%

Fiscal Year	Principal	Interest 15-Feb	Interest 15-Aug	Paying Agent Fees	Total
2006	350,000	50,088	50,088	450	450,626
2007	375,000	41,688	41,688	450	458,826
2008	400,000	32,500	32,500	450	465,450
2009	425,000	22,500	22,500	450	470,450
2010	475,000	11,875	11,875	450	499,200
Totals	\$2,025,000	\$158,651	\$158,651	\$2,250	\$2,344,552

**DEBT SERVICE
SCHEDULE OF REQUIREMENTS
COMBINATION TAX & REVENUE
CERTIFICATES OF OBLIGATION
Series 1998**

Original Issue: \$4,650,000

Dated: June 1, 1998

Interest Rate: Various 2.75% - 5.20%

Fiscal Year	Principal	Interest 15-Feb	Interest 15-Aug	Paying Agent Fees	Total
2006	175,000	92,075	92,075	450	359,600
2007	175,000	86,825	86,825	450	349,100
2008	175,000	81,575	81,575	450	338,600
2009	200,000	76,325	76,325	450	353,100
2010	200,000	72,200	72,200	450	344,850
2011	350,000	67,900	67,900	450	486,250
2012	350,000	60,200	60,200	450	470,850
2013	225,000	52,325	52,325	450	330,100
2014	250,000	47,150	47,150	450	344,750
2015	250,000	41,400	41,400	450	333,250
2016	275,000	35,650	35,650	450	346,750
2017	300,000	29,325	29,325	450	359,100
2018	300,000	22,425	22,425	450	345,300
2019	325,000	15,525	15,525	450	356,500
2020	350,000	8,050	8,050	450	366,550
Totals	\$3,900,000	\$788,950	\$788,950	\$6,750	\$5,484,650

**DEBT SERVICE
SCHEDULE OF REQUIREMENTS
COMBINATION TAX AND WATER/WASTEWATER SURPLUS REVENUE
CERTIFICATES OF OBLIGATION
Series 1999**

Original Issue: \$4,400,000

Dated: December 1, 1999

Interest Rate: Various 5.00% - 6.00%

Fiscal Year	Principal	Interest 15-Feb	Interest 15-Aug	Paying Agent Fees	Total
2006	175,000	99,506	99,506	450	374,462
2007	175,000	94,256	94,256	450	363,962
2008	175,000	89,006	89,006	450	353,462
2009	200,000	84,631	84,631	450	369,712
2010	200,000	79,631	79,631	450	359,712
2011	225,000	74,631	74,631	450	374,712
2012	225,000	69,006	69,006	450	363,462
2013	250,000	63,213	63,213	450	376,876
2014	250,000	56,713	56,713	450	363,876
2015	275,000	50,150	50,150	450	375,750
2016	275,000	42,863	42,863	450	361,176
2017	300,000	35,438	35,438	450	371,326
2018	325,000	27,338	27,338	450	380,126
2019	325,000	18,563	18,563	450	362,576
2020	350,000	9,625	9,625	450	369,700
Totals	\$3,725,000	\$894,570	\$894,570	\$6,750	\$5,520,890

DEBT SERVICE
SCHEDLUE OF REQUIREMENTS
COMBINATION TAX AND WATERWORKS AND SEWER SYSTEM SURPLUS
REVENUE CERTIFICATES OF OBLIGATION
Series 2002

Original Issue: \$ 9,450,000

Dated: April 15, 2002

Interest Rate: Various 4.5% - 5.0%

Fiscal Year	Principal	Interest 15-Feb	Interest 15-Aug	Paying Agent Fees	Total
2006	325,000	211,688	211,688	550	748,926
2007	350,000	203,563	203,563	550	757,676
2008	375,000	194,812	194,812	550	765,174
2009	400,000	185,438	185,438	550	771,426
2010	400,000	175,438	175,438	550	751,426
2011	425,000	165,437	165,437	550	756,424
2012	450,000	154,813	154,813	550	760,176
2013	475,000	144,687	144,687	550	764,924
2014	500,000	134,000	134,000	550	768,550
2015	525,000	122,750	122,750	550	771,050
2016	550,000	110,413	110,413	550	771,376
2017	575,000	97,212	97,212	550	769,974
2018	600,000	83,125	83,125	550	766,800
2019	625,000	68,125	68,125	550	761,800
2020	675,000	52,500	52,500	550	780,550
2021	700,000	35,625	35,625	550	771,800
2022	725,000	18,125	18,125	550	761,800
Totals	\$8,675,000	\$2,157,751	\$2,157,751	\$9,350	\$12,999,852

**DEBT SERVICE
SCHEDULE OF REQUIREMENTS
GENERAL OBLIGATION BONDS
Series 2002**

Original Issue: \$ 2,200,000

Dated: April 15, 2002

Interest Rate: Various 4.4% - 5.13%

Fiscal Year	Principal	Interest 15-Feb	Interest 15-Aug	Paying Agent Fees	Total
2006	75,000	49,609	49,609	550	174,768
2007	75,000	47,697	47,697	550	170,944
2008	75,000	45,785	45,785	550	167,120
2009	100,000	43,872	43,872	550	188,294
2010	100,000	41,322	41,322	550	183,194
2011	100,000	38,772	38,772	550	178,094
2012	100,000	36,522	36,522	550	173,594
2013	100,000	34,322	34,322	550	169,194
2014	125,000	32,072	32,072	550	189,694
2015	125,000	29,197	29,197	550	183,944
2016	125,000	26,260	26,260	550	178,070
2017	125,000	23,259	23,259	550	172,068
2018	150,000	20,197	20,197	550	190,944
2019	150,000	16,447	16,447	550	183,444
2020	150,000	12,697	12,697	550	175,944
2021	175,000	8,947	8,947	550	193,444
2022	175,000	4,485	4,485	550	184,520
Totals	\$2,025,000	\$511,462	\$511,462	\$9,350	\$3,057,274

**DEBT SERVICE
SCHEDULE OF REQUIREMENTS
GENERAL OBLIGATION REFUNDING BONDS
Series 2002**

Original Issue: \$8,705,000

Dated: August 15, 2002

Interest Rate: Various 3.00% - 4.00%

Fiscal Year	Principal	Interest 15-Feb	Interest 15-Aug	Paying Agent Fees	Total
2006	1,150,000	116,597	108,272	550	1,375,419
2007	1,185,000	99,347	90,767	550	1,375,664
2008	1,240,000	81,572	72,119	550	1,394,241
2009	1,245,000	62,197	52,241	550	1,359,988
2010	675,000	41,188	41,188	550	757,926
2011	700,000	27,688	27,688	550	755,926
2012	730,000	13,688	13,688	550	757,926
Totals	\$6,925,000	\$442,277	\$405,963	\$3,850	\$7,777,090

**DEBT SERVICE
SCHEDULE OF REQUIREMENTS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
Series 2003**

Original Issue: \$ 1,700,000

Dated: September 30, 2003

Interest Rate: 4.65%-5.00%

Fiscal Year	Principal	Interest 15-Feb	Interest 15-Aug	Paying Agent Fees	Total
2006	50,000	37,425	37,425	750	125,600
2007	50,000	36,175	36,175	750	123,100
2008	50,000	34,925	34,925	750	120,600
2009	75,000	33,675	33,675	750	143,100
2010	75,000	31,800	31,800	750	139,350
2011	75,000	29,925	29,925	750	135,600
2012	75,000	28,050	28,050	750	131,850
2013	75,000	26,175	26,175	750	128,100
2014	75,000	24,713	24,713	750	125,176
2015	75,000	23,213	23,213	750	122,176
2016	100,000	21,713	21,713	750	144,176
2017	100,000	19,663	19,663	750	140,076
2018	100,000	17,563	17,563	750	135,876
2019	100,000	15,413	15,413	750	131,576
2020	100,000	13,213	13,213	750	127,176
2021	100,000	10,963	10,963	750	122,676
2022	125,000	8,688	8,688	750	143,126
2023	125,000	5,813	5,813	750	137,376
2024	125,000	2,906	2,906	750	131,562
Totals	<u>\$1,650,000</u>	<u>\$422,011</u>	<u>\$422,011</u>	<u>\$14,250</u>	<u>\$2,508,272</u>

**DEBT SERVICE
SCHEDULE OF REQUIREMENTS
GENERAL OBLIGATION BONDS
Series 2003**

Original Issue: \$3,750,000

Dated: September 30, 2003

Interest Rate: 4.75%-5.25%

Fiscal Year	Principal	Interest 15-Feb	Interest 15-Aug	Paying Agent Fees	Total
2006	125,000	79,025	79,025	750	283,800
2007	125,000	75,744	75,744	750	277,238
2008	125,000	72,463	72,463	750	270,676
2009	150,000	69,181	69,181	750	289,112
2010	150,000	66,744	66,744	750	284,238
2011	150,000	64,194	64,194	750	279,138
2012	150,000	61,456	61,456	750	273,662
2013	175,000	58,644	58,644	750	293,038
2014	175,000	55,275	55,275	750	286,300
2015	175,000	51,775	51,775	750	279,300
2016	200,000	48,188	48,188	750	297,126
2017	200,000	43,988	43,988	750	288,726
2018	225,000	39,688	39,688	750	305,126
2019	225,000	34,738	34,738	750	295,226
2020	225,000	29,675	29,675	750	285,100
2021	250,000	24,556	24,556	750	299,862
2022	250,000	18,806	18,806	750	288,362
2023	275,000	12,994	12,994	750	301,738
2024	275,000	6,531	6,531	750	288,812
Totals	\$3,625,000	\$913,665	\$913,665	\$14,250	\$5,466,580

**DEBT SERVICE
SCHEDULE OF REQUIREMENTS
CERTIFICATES OF OBLIGATION BONDS
Series 2004**

Original Issue: \$8,200,000

Dated: December 15, 2004

Interest Rate: 5.00%

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u> <u>15-Feb</u>	<u>Interest</u> <u>15-Aug</u>	<u>Paying</u> <u>Agent</u> <u>Fees</u>	<u>Total</u>
2006	250,000	205,000	205,000	750	660,750
2007	250,000	198,750	198,750	750	648,250
2008	250,000	192,500	192,500	750	635,750
2009	300,000	186,250	186,250	750	673,250
2010	300,000	178,750	178,750	750	658,250
2011	325,000	171,250	171,250	750	668,250
2012	325,000	163,125	163,125	750	652,000
2013	350,000	155,000	155,000	750	660,750
2014	375,000	146,250	146,250	750	668,250
2015	375,000	136,875	136,875	750	649,500
2016	400,000	127,500	127,500	750	655,750
2017	425,000	117,500	117,500	750	660,750
2018	450,000	106,875	106,875	750	664,500
2019	475,000	95,625	95,625	750	667,000
2020	500,000	83,750	83,750	750	668,250
2021	500,000	71,250	71,250	750	643,250
2022	550,000	58,750	58,750	750	668,250
2023	575,000	45,000	45,000	750	665,750
2024	600,000	30,625	30,625	750	662,000
2025	625,000	31,250	-	750	657,000
Totals	<u><u>\$8,200,000</u></u>	<u><u>\$2,501,875</u></u>	<u><u>\$2,470,625</u></u>	<u><u>\$15,000</u></u>	<u><u>\$13,187,500</u></u>

**DEBT SERVICE
SCHEDULE OF REQUIREMENTS
CERTIFICATES OF OBLIGATION BONDS
Series 2006**

Original Issue: \$1,900,000

Dated: February 16, 2006

Interest Rate: 5.00%

Fiscal Year	Principal	Interest 15-Feb	Interest 15-Aug	Paying Agent Fees	Total
2006	-	-	47,500	750	48,250
2007	50,000	47,500	47,500	750	145,750
2008	50,000	46,250	46,250	750	143,250
2009	50,000	45,000	45,000	750	140,750
2010	75,000	43,750	43,750	750	163,250
2011	75,000	41,875	41,875	750	159,500
2012	75,000	40,000	40,000	750	155,750
2013	75,000	38,125	38,125	750	152,000
2014	75,000	36,250	36,250	750	148,250
2015	75,000	34,375	34,375	750	144,500
2016	100,000	32,500	32,500	750	165,750
2017	100,000	30,000	30,000	750	160,750
2018	100,000	27,500	27,500	750	155,750
2019	100,000	25,000	25,000	750	150,750
2020	100,000	22,500	22,500	750	145,750
2021	125,000	20,000	20,000	750	165,750
2022	125,000	16,875	16,875	750	159,500
2023	125,000	13,750	13,750	750	153,250
2024	125,000	10,625	10,625	750	147,000
2025	150,000	7,500	7,500	750	165,750
2026	150,000	3,729	3,729	750	158,208
Totals	\$1,900,000	\$583,104	\$630,604	\$15,750	\$3,129,458

**DEBT SERVICE
SCHEDULE OF REQUIREMENTS
GENERAL OBLIGATION BONDS
Series 2006**

Original Issue: \$1,740,000

Dated: February 16, 2006

Interest Rate: 5.00%

Fiscal Year	Principal	Interest 15-Feb	Interest 15-Aug	Paying Agent Fees	Total
2006	-	-	43,500	750	44,250
2007	50,000	43,500	43,500	750	137,750
2008	55,000	42,250	42,250	750	140,250
2009	60,000	40,875	40,875	750	142,500
2010	60,000	39,375	39,375	750	139,500
2011	65,000	37,875	37,875	750	141,500
2012	65,000	36,250	36,250	750	138,250
2013	70,000	34,625	34,625	750	140,000
2014	70,000	32,875	32,875	750	136,500
2015	70,000	31,125	31,125	750	133,000
2016	100,000	29,375	29,375	750	159,500
2017	100,000	26,875	26,875	750	154,500
2018	100,000	24,375	24,375	750	149,500
2019	100,000	21,875	21,875	750	144,500
2020	100,000	19,375	19,375	750	139,500
2021	100,000	16,875	16,875	750	134,500
2022	100,000	14,375	14,375	750	129,500
2023	100,000	11,875	11,875	750	124,500
2024	125,000	9,375	9,375	750	144,500
2025	125,000	6,250	6,250	750	138,250
2026	125,000	3,125	3,125	750	132,000
Totals	<u>\$1,740,000</u>	<u>\$522,500</u>	<u>\$566,000</u>	<u>\$15,750</u>	<u>\$2,844,250</u>

**WATER/WASTEWATER REVENUE BONDS
DEBT REQUIREMENTS
SUMMARY
Fiscal 2006**

Issue	Purpose	Principal Outstanding 10/1/2005	Requirements for Fiscal 2006			
			Principal	Interest	Paying Agent Fees	Total
1995	Utility Improvements	\$1,850,000	\$125,000	\$110,876	\$450	\$236,326
1997	Utility Improvements	2,200,000	150,000	114,076	450	264,526
2000	TWDB Bonds ¹	8,400,000	625,000	223,050	500	848,550
2003	Utility Improvements	<u>1,500,000</u>	<u>45,000</u>	<u>67,707</u>	<u>750</u>	<u>113,457</u>
	Total	<u>\$13,950,000</u>	<u>\$945,000</u>	<u>\$515,709</u>	<u>\$2,150</u>	<u>\$1,462,859</u>

Notes Payable to Army Corp of Engineers

1/1/1970	Present Water Supply	\$89,443	\$5,382	\$2,317	N/A	\$7,699
1/1/1976	Future Water Supply	<u>104,960</u>	<u>9,330</u>	<u>2,720</u>	N/A	<u>12,050</u>
	Total	<u>\$194,403</u>	<u>\$14,712</u>	<u>\$5,037</u>	N/A	<u>\$19,749</u>

¹ Includes draws #1 through #8.

**WATER/WASTEWATER REVENUE BONDS
ANNUAL DEBT SERVICE REQUIREMENTS**

All Series

Fiscal Year	Principal	Interest 1-Nov	Interest 1-May	Paying Fees	Total
2006	945,000	253,985	261,724	2,150	1,462,859
2007	965,000	272,281	260,997	2,150	1,500,428
2008	1,015,000	252,434	240,544	2,150	1,510,128
2009	1,065,000	232,294	219,831	2,150	1,519,275
2010	1,090,000	210,756	197,666	2,150	1,500,572
2011	1,145,000	188,516	174,705	2,150	1,510,371
2012	1,195,000	164,861	150,251	2,150	1,512,262
2013	1,280,000	139,614	123,966	2,150	1,545,730
2014	1,330,000	111,947	95,571	2,150	1,539,668
2015	1,415,000	83,196	66,163	2,150	1,566,509
2016	1,180,000	52,288	34,068	1,700	1,268,056
2017	545,000	29,006	22,686	1,700	598,392
2018	80,000	17,623	15,923	750	114,296
2019	85,000	15,923	14,095	750	115,768
2020	90,000	14,095	12,115	750	116,960
2021	95,000	12,115	9,978	750	117,843
2022	100,000	9,978	7,703	750	118,431
2023	105,000	7,703	5,288	750	118,741
2024	110,000	5,288	2,703	750	118,741
2025	115,000	2,703	-	750	118,453
Totals	\$13,950,000	\$2,076,604	\$1,915,977	\$30,900	\$17,973,481

**DEBT SERVICE
SCHEDULE OF REQUIREMENTS
WATER/WASTEWATER REVENUE BONDS
Series 1995**

Original Issue: \$2,650,000

Dated: January 1, 1995

Interest Rate: Various 7.875% - 6.000%

Fiscal Year	Principal	Interest 1-Nov	Interest 1-May	Paying Agent Fees	Total
2006	125,000	55,438	55,438	450	236,326
2007	150,000	51,750	51,750	450	253,950
2008	150,000	47,250	47,250	450	244,950
2009	175,000	42,750	42,750	450	260,950
2010	175,000	37,500	37,500	450	250,450
2011	175,000	32,250	32,250	450	239,950
2012	200,000	27,000	27,000	450	254,450
2013	200,000	21,000	21,000	450	242,450
2014	225,000	15,000	15,000	450	255,450
2015	275,000	8,250	8,250	450	291,950
Totals	\$1,850,000	\$338,188	\$338,188	\$4,500	\$2,530,876

**DEBT SERVICE
SCHEDULE OF REQUIREMENTS
WATER/WASTEWATER REVENUE BONDS
Series 1997**

Original Issue: \$3,025,000

Dated: July 1, 1997

Interest Rate: Various 6.50% - 4.50%

Fiscal Year	Principal	Interest 1-Nov	Interest 1-May	Paying Agent Fees	Total
2006	150,000	57,038	57,038	450	264,526
2007	125,000	52,163	52,163	450	229,776
2008	150,000	48,100	48,100	450	246,650
2009	150,000	44,350	44,350	450	239,150
2010	150,000	40,525	40,525	450	231,500
2011	175,000	36,625	36,625	450	248,700
2012	175,000	32,031	32,031	450	239,512
2013	225,000	27,394	27,394	450	280,238
2014	225,000	21,375	21,375	450	268,200
2015	225,000	15,750	15,750	450	256,950
2016	225,000	10,125	10,125	450	245,700
2017	225,000	5,063	5,063	450	235,576
Totals	\$2,200,000	\$390,539	\$390,539	\$5,400	\$2,986,478

**TEXAS WATER DEVELOPMENT BOARD
STATE REVOLVING FUND BONDS
Series 2000**

Total Loan Amount: \$16,000,000

Dated: November 1, 2000

Draws Dated: July 1, 2001

Draws 2 & 3: \$3,560,000

Interest Rate: 3.00% - 3.25%

Fiscal		Interest	Interest	Paying	
Year	Principal	1-Nov	1-May	Agent	Total
				Fees	
2006	625,000	39,830	30,143	500	695,473
2007	645,000	30,143	19,984	500	695,627
2008	665,000	19,984	9,344	500	694,828
2009	<u>575,000</u>	<u>9,344</u>	<u>-</u>	<u>500</u>	<u>584,844</u>
Totals	<u><u>\$2,510,000</u></u>	<u><u>\$99,301</u></u>	<u><u>\$59,471</u></u>	<u><u>\$2,000</u></u>	<u><u>\$2,670,772</u></u>

**DEBT SERVICE
SCHEDULE OF REQUIREMENTS
TEXAS WATER DEVELOPMENT BOARD
STATE REVOLVING FUND BONDS
Series 2000**

Total Loan Amount: \$16,000,000

Dated: November 1, 2000

Draws Dated: May 1, 2003

Draw #4 \$1,835,000

Interest Rate: 3.30% - 3.55%

Fiscal		Interest	Interest	Paying	
Year	Principal	1-Nov	1-May	Agent	Total
				Fees	
2006	-	30,639	30,639	-	61,278
2007	-	30,639	30,639	-	61,278
2008	-	30,639	30,639	-	61,278
2009	115,000	30,639	28,770	-	174,409
2010	710,000	28,770	17,055	500	756,325
2011	735,000	17,055	4,744	500	757,299
2012	275,000	4,744	-	500	280,244
Totals	\$1,835,000	\$173,125	\$142,486	\$1,500	\$2,152,111

**TEXAS WATER DEVELOPMENT BOARD
STATE REVOLVING FUND BONDS
Series 2000**

Total Loan Amount: \$16,000,000

Dated: November 1, 2000

Draws Dated: December 1, 2003

Draw #5 \$1,210,000

Interest Rate: 3.55% - 4.00%

Fiscal Year	Principal	Interest 1-Nov	Interest 1-May	Paying Agent Fees	Total
2006	-	21,235	21,235	-	42,470
2007	-	21,235	21,235	-	42,470
2008	-	21,235	21,235	-	42,470
2009	-	21,235	21,235	-	42,470
2010	-	21,235	21,235	-	42,470
2011	-	21,235	21,235	-	42,470
2012	485,000	21,235	12,869	-	519,104
2013	725,000	12,869	-	500	738,369
Totals	\$1,210,000	\$161,514	\$140,279	\$500	\$1,512,293

TEXAS WATER DEVELOPMENT BOARD
STATE REVOLVING FUND BONDS
Series 2000

Total Loan Amount: \$16,000,000

Dated: November 1, 2000

Draw Dated: December 9, 2004

Draw #6 \$845,000

Interest Rate: 3.55% - 4.00%

Fiscal Year	Principal	Interest 1-Nov	Interest 1-May	Paying Agent Fees	Total
2006	-	15,389	15,389	-	30,778
2007	-	15,389	15,389	-	30,778
2008	-	15,389	15,389	-	30,778
2009	-	15,389	15,389	-	30,778
2010	-	15,389	15,389	-	30,778
2011	-	15,389	15,389	-	30,778
2012	-	15,389	15,389	-	30,778
2013	65,000	15,389	14,235	-	94,624
2014	780,000	14,235	-	500	794,735
Totals	\$845,000	\$137,345	\$121,958	\$500	\$1,104,803

**TEXAS WATER DEVELOPMENT BOARD
STATE REVOLVING FUND BONDS
Series 2000**

Total Loan Amount: \$16,000,000

Dated: November 1, 2000

Draw Dated: November 1, 2005

Draw #7 \$1,000,000

Interest Rate: 3.55% - 4.00%

Fiscal Year	Principal	Interest 1-Nov	Interest 1-May	Paying Agent Fees	Total
2006	-	-	18,551	-	18,551
2007	-	18,551	18,551	-	37,102
2008	-	18,551	18,551	-	37,102
2009	-	18,551	18,551	-	37,102
2010	-	18,551	18,551	-	37,102
2011	-	18,551	18,551	-	37,102
2012	-	18,551	18,551	-	37,102
2013	-	18,551	18,551	-	37,102
2014	35,000	18,551	17,913	-	71,464
2015	845,000	17,913	2,280	500	865,693
2016	120,000	2,280	-	-	122,280
Totals	\$1,000,000	\$168,601	\$168,601	\$500	\$1,337,702

**TEXAS WATER DEVELOPMENT BOARD
STATE REVOLVING FUND BONDS
Series 2000**

Total Loan Amount: \$16,000,000

Dated: November 1, 2000

Draw Dated: May 1, 2006

Draw #8 \$1,000,000

Interest Rate: 3.55% - 4.00%

Fiscal Year	Principal	Interest 1-Nov	Interest 1-May	Paying Agent Fees	Total
2007	-	19,120	19,120	-	38,240
2008	-	19,120	19,120	-	38,240
2009	-	19,120	19,120	-	38,240
2010	-	19,120	19,120	-	38,240
2011	-	19,120	19,120	-	38,240
2012	-	19,120	19,120	-	38,240
2013	-	19,120	19,120	-	38,240
2014	-	19,120	19,120	-	38,240
2015	-	19,120	19,120	-	38,240
2016	760,000	19,120	4,680	500	784,300
2017	240,000	4,680	-	500	245,180
Totals	\$1,000,000	\$195,880	\$176,760	\$1,000	\$1,373,640

WATER/WASTEWATER REVENUE BONDS
Series 2003

Original Issue: \$1,500,000

Dated: September 30, 2003

Interest Rate: Various 4.70% - 5:00%

Fiscal Year	Principal	Interest 1-Nov	Interest 1-May	Paying Agent Fees	Total
2006	45,000	34,416	33,291	750	113,457
2007	45,000	33,291	32,166	750	111,207
2008	50,000	32,166	30,916	750	113,832
2009	50,000	30,916	29,666	750	111,332
2010	55,000	29,666	28,291	750	113,707
2011	60,000	28,291	26,791	750	115,832
2012	60,000	26,791	25,291	750	112,832
2013	65,000	25,291	23,666	750	114,707
2014	65,000	23,666	22,163	750	111,579
2015	70,000	22,163	20,763	750	113,676
2016	75,000	20,763	19,263	750	115,776
2017	80,000	19,263	17,623	750	117,636
2018	80,000	17,623	15,923	750	114,296
2019	85,000	15,923	14,095	750	115,768
2020	90,000	14,095	12,115	750	116,960
2021	95,000	12,115	9,978	750	117,843
2022	100,000	9,978	7,703	750	118,431
2023	105,000	7,703	5,288	750	118,741
2024	110,000	5,288	2,703	750	118,741
2025	115,000	2,703	-	750	118,453
Totals	\$1,500,000	\$412,111	\$377,695	\$15,000	\$2,304,806

NOTE PAYABLE
SCHEDULE OF REQUIREMENTS
U.S. Army Corp of Engineers
1.25% Storage-Present Water Supply 18,000 Acre-Feet

Original Note: \$220,000
Date: January 1, 1970

Interest Rate: 2.591%

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Outstanding</u>
Paid to-date	\$130,557	\$127,764	\$258,321	\$89,443
1/1/2006	5,382	2,317	7,699	84,062
1/1/2007	5,521	2,178	7,699	78,541
1/1/2008	5,664	2,035	7,699	72,877
1/1/2009	5,811	1,888	7,699	67,066
1/1/2010	5,961	1,738	7,699	61,105
1/1/2011	6,116	1,583	7,699	54,989
1/1/2012	6,274	1,425	7,699	48,715
1/1/2013	6,437	1,262	7,699	42,278
1/1/2014	6,604	1,095	7,699	35,675
1/1/2015	6,775	924	7,699	28,900
1/1/2016	6,950	749	7,699	21,950
1/1/2017	7,130	569	7,699	14,820
1/1/2018	7,315	384	7,699	7,505
1/1/2019	7,505	194	7,699	-

NOTE PAYABLE
SCHEDULE OF REQUIREMENTS
U.S. Army Corp of Engineers
1.73% - Future Water Supply, 25,000 Acre-Feet

Original Note: \$305,600
Date: January 1, 1976

Interest Rate: 2.591%

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Outstanding</u>
Paid to-date	\$200,639	\$194,500	\$395,139	\$104,960
1/1/2006	9,330	2,720	12,049	95,630
1/1/2007	9,571	2,478	12,049	86,059
1/1/2008	9,819	2,230	12,049	76,240
1/1/2009	10,074	1,975	12,049	66,166
1/1/2010	10,335	1,714	12,049	55,832
1/1/2011	10,602	1,447	12,049	45,229
1/1/2012	10,877	1,172	12,049	34,352
1/1/2013	11,159	890	12,049	23,193
1/1/2014	11,448	601	12,049	11,745
1/1/2015	11,745	304	12,049	-