

## 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 \$0.5555. 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 2007 is \$1,592,262,292, which, when calculated, provides a policy debt limit of \$79,613,115. The City's total estimated outstanding debt for Fiscal 2007 is \$44,515,000.

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:

$$\text{Net Debt Per Capita} = \frac{\$44,515,000 \text{ (Net Direct Debt)}}{32,709 \text{ (Population)}} = \$1,360.94$$

$$\text{Ratio of Net Debt to Taxable Assessed Value} = \frac{\$44,515,000 \text{ (Net Direct Debt)}}{\$1,592,262,292 \text{ (Assessed Value)}} = 2.80\%$$

The subsequent table reflects the allocation of the property tax levy between Debt Service and General Fund Operations for Fiscal 2007 and the previous four years.

	<b><u>Fiscal</u></b> <b><u>2003</u></b>	<b><u>Fiscal</u></b> <b><u>2004</u></b>	<b><u>Fiscal</u></b> <b><u>2005</u></b>	<b><u>Fiscal</u></b> <b><u>2006</u></b>	<b><u>Fiscal</u></b> <b><u>2007</u></b>
Debt Service Fund	\$0.182200	\$0.202200	\$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>\$0.353300</u>
Total Tax Rate	<u>\$0.538500</u>	<u>\$0.558500</u>	<u>\$0.558500</u>	<u>\$0.558500</u>	<u>\$0.555500</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 \$6,440,000 is scheduled for February 2007. This issue will consist of \$4,700,000 in CO's, \$1,740,000 in General Obligation, \$3,985,000 in Tax Supported CO's and \$715,000 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 270 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 271-283, 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, 2006 is \$14,390,000 and the scheduled payment of principal and interest including fees in Fiscal 2007 is \$1,486,120.

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; draw #7, dated April 2006 for \$1,065,000. Two draws are anticipated during Fiscal 2007 for a total of \$2,000,000. For budget purposes, November 1, 2006 and May 1, 2007 has been used as the “dated” date for these draws. Additionally, draws #10 and #11, totaling \$4.8 million, are scheduled to be taken in Fiscal 2008, 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 1999-2007 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 2007 is \$1,209,197.

The tables relating to Revenue Bond debt on pages 284 through 297 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 2007. 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  
DEBT SERVICE FUND  
Fiscal 2007 Operating Budget**

	<b>FY2005</b>	<b>FY2006</b>	<b>FY2006</b>	<b>FY2007</b>
	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>Revised</u></b>	<b><u>Budget</u></b>
<b>Beginning Balance</b>	\$2,089,399	\$2,219,195	\$2,219,195	\$2,191,943
<b>Revenues</b>				
Current year collections	3,026,322	3,037,700	3,109,500	3,218,705
Interest income	118,834	50,000	120,000	120,000
Other financing sources-proceeds	18,902	-	-	-
Other-Transfer from Water/Wastewater Fund	1,073,810	1,242,410	1,242,410	1,158,347
Other-Transfer from Solid Waste/Recycling Fund	59,037	61,789	61,789	59,968
Total Revenues	<u>4,296,905</u>	<u>4,391,899</u>	<u>4,533,699</u>	<u>4,557,020</u>
<b>Total Funds Available</b>	<u>\$6,386,304</u>	<u>\$6,611,094</u>	<u>\$6,752,894</u>	<u>\$6,748,963</u>
<b>Expenditures</b>				
Miscellaneous services	\$ 3,500	7,000	\$ 7,000	\$ 3,500
Principal payments	2,350,000	2,675,000	2,675,000	2,785,000
Interest payments	1,809,864	1,964,701	1,873,701	1,807,778
Debt service fees	3,745	6,750	5,250	6,750
Total Expenditures	<u>4,167,109</u>	<u>4,653,451</u>	<u>4,560,951</u>	<u>4,603,028</u>
Excess(deficiency) of revenues over expenditures	<u>129,796</u>	<u>(261,552)</u>	<u>(27,252)</u>	<u>(46,008)</u>
Fund balance ending	<u>2,219,195</u>	<u>1,957,643</u>	<u>2,191,943</u>	<u>2,145,935</u>
<b>Total Funds Applied</b>	<u>\$6,386,304</u>	<u>\$6,611,094</u>	<u>\$6,752,894</u>	<u>\$6,748,963</u>

**GENERAL OBLIGATION BONDS  
DEBT REQUIREMENTS  
SUMMARY  
Fiscal 2007 Operating Budget**

Issue	Purpose	Principal Outstanding 10/1/2006	Requirements for Fiscal 2007			
			Principal	Interest	Paying Agent Fees	Total
1996	G.O. Improvements	1,675,000	375,000	83,376	450	458,826
1998	G.O./Utility Improvements	3,725,000	175,000	173,650	450	349,100
1999	G.O./Utility Improvements	3,550,000	175,000	188,512	450	363,962
2002	G.O. Improvements	1,950,000	75,000	95,394	550	170,944
2002	G.O./Utility Improvements	8,350,000	350,000	407,126	550	757,676
2002	G.O. Refunding Bond <sup>1</sup>	5,775,000	1,185,000	190,114	550	1,375,664
2003	G.O. Improvements	3,500,000	125,000	151,488	750	277,238
2003	G.O./Utility Improvements	1,600,000	50,000	72,350	750	123,100
2004	G.O./Utility Improvements	7,950,000	275,000	323,768	750	599,518
2007	G.O. Improvements <sup>2</sup>	1,740,000	-	43,500	750	44,250
2007	G.O./Utility Improvements <sup>2</sup>	4,700,000	-	78,500	750	79,250
<b>Total</b>		<b>\$44,515,000</b>	<b>\$2,785,000</b>	<b>\$1,807,778</b>	<b>\$6,750</b>	<b>\$4,599,528</b>

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

<sup>2</sup> Issues included in outstanding debt at 10/01/06 for financial planning and budget purposes only.

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

<b><u>Fiscal Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest 15-Feb</u></b>	<b><u>Interest 15-Aug</u></b>	<b><u>Paying Agent Fees</u></b>	<b><u>Total</u></b>
2007	2,785,000	847,179	960,599	6,750	4,599,528
2008	3,615,000	911,710	888,757	6,750	5,422,217
2009	3,800,000	848,953	838,997	6,750	5,494,700
2010	3,310,000	783,270	783,270	6,750	4,883,290
2011	2,485,000	707,244	707,244	6,300	3,905,788
2012	2,595,000	652,432	652,432	6,300	3,906,164
2013	1,815,000	596,938	596,938	5,750	3,014,626
2014	1,945,000	555,495	555,495	5,750	3,061,740
2015	1,995,000	510,744	510,744	5,750	3,022,238
2016	2,120,000	465,534	465,534	5,750	3,056,818
2017	2,250,000	416,857	416,857	5,750	3,089,464
2018	2,400,000	364,395	364,395	5,750	3,134,540
2019	2,490,000	307,620	307,620	5,750	3,110,990
2020	2,600,000	248,207	248,207	5,750	3,102,164
2021	2,000,000	185,807	185,807	4,850	2,376,464
2022	2,100,000	138,570	138,570	4,850	2,381,990
2023	1,275,000	88,848	88,848	3,750	1,456,446
2024	1,300,000	59,759	59,759	3,750	1,423,268
2025	950,000	29,922	29,922	2,250	1,012,094
2026	325,000	10,000	10,000	1,500	346,500
2027	360,000	8,750	8,750	1,500	379,000
<b>Total</b>	<b><u>\$44,515,000</u></b>	<b><u>\$8,738,234</u></b>	<b><u>\$8,818,745</u></b>	<b><u>\$108,050</u></b>	<b><u>\$62,180,029</u></b>

**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%

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest 15-Feb</b>	<b>Interest 15-Aug</b>	<b>Paying Agent Fees</b>	<b>Total</b>
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
<b>Totals</b>	<b>\$1,675,000</b>	<b>\$108,563</b>	<b>\$108,563</b>	<b>\$1,800</b>	<b>\$1,893,926</b>

**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 4.00% - 6.00%

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest 15-Feb</b>	<b>Interest 15-Aug</b>	<b>Paying Agent Fees</b>	<b>Total</b>
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
<b>Totals</b>	<b>\$3,725,000</b>	<b>\$696,875</b>	<b>\$696,875</b>	<b>\$6,300</b>	<b>\$5,125,050</b>



**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%

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest 15-Feb</b>	<b>Interest 15-Aug</b>	<b>Paying Agent Fees</b>	<b>Total</b>
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
<b>Totals</b>	<b>\$3,550,000</b>	<b>\$795,064</b>	<b>\$795,064</b>	<b>\$6,300</b>	<b>\$5,146,428</b>

**DEBT SERVICE  
SCHEDULE 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%

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest 15-Feb</b>	<b>Interest 15-Aug</b>	<b>Paying Agent Fees</b>	<b>Total</b>
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
<b>Totals</b>	<b>\$8,350,000</b>	<b>\$1,946,063</b>	<b>\$1,946,063</b>	<b>\$8,800</b>	<b>\$12,250,926</b>

**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%

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest 15-Feb</b>	<b>Interest 15-Aug</b>	<b>Paying Agent Fees</b>	<b>Total</b>
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
<b>Totals</b>	<b>\$1,950,000</b>	<b>\$461,853</b>	<b>\$461,853</b>	<b>\$8,800</b>	<b>\$2,882,506</b>

**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%

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest 15-Feb</b>	<b>Interest 15-Aug</b>	<b>Paying Agent Fees</b>	<b>Total</b>
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
<b>Totals</b>	<b>\$5,775,000</b>	<b>\$325,680</b>	<b>\$297,691</b>	<b>\$3,300</b>	<b>\$6,401,671</b>

**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: 3.90%-5.00%

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest 15-Feb</b>	<b>Interest 15-Aug</b>	<b>Paying Agent Fees</b>	<b>Total</b>
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
<b>Totals</b>	<b>\$1,600,000</b>	<b>\$384,586</b>	<b>\$384,586</b>	<b>\$13,500</b>	<b>\$2,382,672</b>

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

Original Issue: \$3,750,000

Dated: September 30, 2003

Interest Rate: 3.25%-5.25%

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest 15-Feb</b>	<b>Interest 15-Aug</b>	<b>Paying Agent Fees</b>	<b>Total</b>
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
<b>Totals</b>	<b>\$3,500,000</b>	<b>\$834,640</b>	<b>\$834,640</b>	<b>\$13,500</b>	<b>\$5,182,780</b>

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

Original Issue: \$8,200,000

Dated: December 15, 2004

Interest Rate: 5.00%

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest 15-Feb</b>	<b>Interest 15-Aug</b>	<b>Paying Agent Fees</b>	<b>Total</b>
2007	275,000	161,884	161,884	750	599,518
2008	275,000	157,072	157,072	750	589,894
2009	275,000	152,259	152,259	750	580,268
2010	300,000	147,447	147,447	750	595,644
2011	300,000	141,447	141,447	750	583,644
2012	350,000	135,447	135,447	750	621,644
2013	350,000	128,447	128,447	750	607,644
2014	375,000	120,572	120,572	750	616,894
2015	375,000	112,134	112,134	750	600,018
2016	400,000	105,197	105,197	750	611,144
2017	425,000	97,597	97,597	750	620,944
2018	450,000	89,309	89,309	750	629,368
2019	475,000	80,309	80,309	750	636,368
2020	475,000	70,572	70,572	750	616,894
2021	500,000	60,716	60,716	750	622,182
2022	550,000	50,341	50,341	750	651,432
2023	575,000	38,791	38,791	750	653,332
2024	600,000	26,572	26,572	750	653,894
2025	625,000	13,672	13,672	750	653,094
<b>Totals</b>	<b>\$7,950,000</b>	<b>\$1,889,785</b>	<b>\$1,889,785</b>	<b>\$14,250</b>	<b>\$11,743,820</b>

**DEBT SERVICE  
SCHEDULE OF REQUIREMENTS  
GENERAL OBLIGATION BONDS  
Series 2007**

Original Issue: \$1,740,000

Dated: February 16, 2007

Interest Rate: 5.00%

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest 15-Feb</b>	<b>Interest 15-Aug</b>	<b>Paying Agent Fees</b>	<b>Total</b>
2007	-	-	43,500	750	44,250
2008	50,000	43,500	43,500	750	137,750
2009	55,000	42,250	42,250	750	140,250
2010	60,000	40,875	40,875	750	142,500
2011	60,000	39,375	39,375	750	139,500
2012	65,000	37,875	37,875	750	141,500
2013	65,000	36,250	36,250	750	138,250
2014	70,000	34,625	34,625	750	140,000
2015	70,000	32,875	32,875	750	136,500
2016	70,000	31,125	31,125	750	133,000
2017	100,000	29,375	29,375	750	159,500
2018	100,000	26,875	26,875	750	154,500
2019	100,000	24,375	24,375	750	149,500
2020	100,000	21,875	21,875	750	144,500
2021	100,000	19,375	19,375	750	139,500
2022	100,000	16,875	16,875	750	134,500
2023	100,000	14,375	14,375	750	129,500
2024	100,000	11,875	11,875	750	124,500
2025	125,000	9,375	9,375	750	144,500
2026	125,000	6,250	6,250	750	138,250
2027	125,000	3,125	3,125	750	132,000
<b>Totals</b>	<b>\$1,740,000</b>	<b>\$522,500</b>	<b>\$566,000</b>	<b>\$15,750</b>	<b>\$2,844,250</b>



**DEBT SERVICE  
SCHEDULE OF REQUIREMENTS  
CERTIFICATES OF OBLIGATION BONDS  
Series 2007**

Original Issue: \$3,080,000

Dated: February 16, 2007

Interest Rate: 5.00%

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest 15-Feb</b>	<b>Interest 15-Aug</b>	<b>Paying Agent Fees</b>	<b>Total</b>
2007	-	-	78,500	750	79,250
2008	675,000	78,500	65,000	750	819,250
2009	675,000	76,625	76,625	750	829,000
2010	675,000	74,750	74,750	750	825,250
2011	100,000	57,875	57,875	750	216,500
2012	100,000	55,375	55,375	750	211,500
2013	100,000	52,875	52,875	750	206,500
2014	125,000	50,375	50,375	750	226,500
2015	125,000	47,250	47,250	750	220,250
2016	125,000	44,125	44,125	750	214,000
2017	125,000	41,000	41,000	750	207,750
2018	150,000	37,875	37,875	750	226,500
2019	165,000	34,125	34,125	750	234,000
2020	175,000	30,000	30,000	750	235,750
2021	175,000	25,625	25,625	750	227,000
2022	175,000	21,250	21,250	750	218,250
2023	200,000	16,875	16,875	750	234,500
2024	200,000	11,875	11,875	750	224,500
2025	200,000	6,875	6,875	750	214,500
2026	200,000	3,750	3,750	750	208,250
2027	235,000	5,625	5,625	750	247,000
<b>Totals</b>	<b><u>\$4,700,000</u></b>	<b><u>\$772,625</u></b>	<b><u>\$837,625</u></b>	<b><u>\$15,750</u></b>	<b><u>\$6,326,000</u></b>

**WATER/WASTEWATER REVENUE BONDS  
DEBT REQUIREMENTS  
SUMMARY  
Fiscal 2007**

Issue	Purpose	Principal Outstanding 10/1/2006	Requirements for Fiscal 2007			
			Principal	Interest	Paying Agent Fees	Total
1995	Utility Improvements	\$1,725,000	\$150,000	\$103,500	\$450	\$253,950
1997	Utility Improvements	2,050,000	125,000	104,326	450	229,776
2000	TWDB Bonds <sup>1</sup>	8,840,000	645,000	245,687	500	891,187
2003	Utility Improvements	<u>1,455,000</u>	<u>45,000</u>	<u>65,457</u>	<u>750</u>	<u>111,207</u>
<b>Total</b>		<u>\$14,070,000</u>	<u>\$965,000</u>	<u>\$518,970</u>	<u>\$2,150</u>	<u>\$1,486,120</u>

**Notes Payable to Army Corp of Engineers**

1/1/1970	Present Water Supply	\$84,062	\$5,521	\$2,178	N/A	\$7,699
1/1/1976	Future Water Supply	<u>95,630</u>	<u>9,571</u>	<u>2,478</u>	N/A	<u>12,049</u>
<b>Total</b>		<u>\$179,692</u>	<u>\$15,092</u>	<u>\$4,656</u>	N/A	<u>\$19,748</u>

<sup>1</sup> Includes draws #1 through #8.

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

**All Series**

<b><u>Fiscal</u> <u>Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u> <u>1-Nov</u></b>	<b><u>Interest</u> <u>1-May</u></b>	<b><u>Paying</u> <u>Fees</u></b>	<b><u>Total</u></b>
2007	965,000	256,705	262,265	2,150	1,486,120
2008	1,015,000	273,300	261,410	2,150	1,551,860
2009	1,065,000	253,160	240,697	2,150	1,561,007
2010	1,090,000	231,622	218,532	2,150	1,542,304
2011	1,145,000	209,382	195,571	2,150	1,552,103
2012	1,195,000	185,726	171,116	2,150	1,553,992
2013	1,280,000	160,479	144,831	2,150	1,587,460
2014	1,330,000	132,812	116,436	2,150	1,581,398
2015	1,415,000	104,061	87,028	2,150	1,608,239
2016	1,180,000	73,153	54,933	1,700	1,309,786
2017	1,220,000	49,872	30,389	1,700	1,301,961
2018	470,000	25,326	15,923	1,250	512,499
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
<b>Totals</b>	<b><u><u>\$14,070,000</u></u></b>	<b><u><u>\$2,023,402</u></u></b>	<b><u><u>\$1,851,013</u></u></b>	<b><u><u>\$29,250</u></u></b>	<b><u><u>\$17,973,665</u></u></b>

<b>DEBT SERVICE</b>					
<b>SCHEDULE OF REQUIREMENTS</b>					
<b>WATER/WASTEWATER REVENUE BONDS</b>					
<b>Series 1995</b>					
Original Issue: \$2,650,000					
Dated: January 1, 1995					
Interest Rate: Various 5.90% - 7.88%					
<b>Fiscal</b>		<b>Interest</b>	<b>Interest</b>	<b>Paying</b>	
<b>Year</b>	<b>Principal</b>	<b>1-Nov</b>	<b>1-May</b>	<b>Agent</b>	<b>Total</b>
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
<b>Totals</b>	<b>\$1,725,000</b>	<b>\$282,750</b>	<b>\$282,750</b>	<b>\$4,050</b>	<b>\$2,294,550</b>

**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%

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest 1-Nov</b>	<b>Interest 1-May</b>	<b>Paying Agent Fees</b>	<b>Total</b>
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
<b>Totals</b>	<b>\$2,050,000</b>	<b>\$333,501</b>	<b>\$333,501</b>	<b>\$4,950</b>	<b>\$2,721,952</b>

**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: July 1, 2001

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

Interest Rate: 3.00% - 3.25%

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest 1-Nov</b>	<b>Interest 1-May</b>	<b>Paying Agent Fees</b>	<b>Total</b>
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>
<b>Totals</b>	<u>\$1,885,000</u>	<u>\$148,357</u>	<u>\$29,328</u>	<u>\$1,500</u>	<u>\$1,975,299</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%

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest 1-Nov</b>	<b>Interest 1-May</b>	<b>Paying Agent Fees</b>	<b>Total</b>
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
<b>Totals</b>	<b>\$1,835,000</b>	<b>\$142,486</b>	<b>\$111,847</b>	<b>\$1,500</b>	<b>\$2,090,833</b>

**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: December 1, 2003

Draw #5 \$1,210,000

Interest Rate: 3.55% - 4.00%

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest 1-Nov</b>	<b>Interest 1-May</b>	<b>Paying Agent Fees</b>	<b>Total</b>
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
<b>Totals</b>	<u>\$1,210,000</u>	<u>\$140,279</u>	<u>\$119,044</u>	<u>\$500</u>	<u>\$1,469,823</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

Draw Dated: December 9, 2004

Draw #6 \$845,000

Interest Rate: 3.55% - 4.00%

<b><u>Fiscal</u></b> <b><u>Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b> <b><u>1-Nov</u></b>	<b><u>Interest</u></b> <b><u>1-May</u></b>	<b><u>Paying</u></b> <b><u>Agent</u></b> <b><u>Fees</u></b>	<b><u>Total</u></b>
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	-	15,389
2013	65,000	15,389	14,235	-	94,624
2014	780,000	14,235	-	500	794,735
<b>Totals</b>	<b>\$845,000</b>	<b>\$121,957</b>	<b>\$106,569</b>	<b>\$500</b>	<b>\$1,058,637</b>

**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

Draw Dated: April 10, 2006

Draw #7 \$1,065,000

Interest Rate: 3.65% - 3.80%

<b>Fiscal</b>		<b>Interest</b>	<b>Interest</b>	<b>Paying</b>	
<b>Year</b>	<b>Principal</b>	<b>1-Nov</b>	<b>1-May</b>	<b>Agent</b>	<b>Total</b>
				<b>Fees</b>	
2007	-	22,095	19,786	-	41,881
2008	-	19,786	19,786	-	39,572
2009	-	19,786	19,786	-	39,572
2010	-	19,786	19,786	-	39,572
2011	-	19,786	19,786	-	39,572
2012	-	19,786	19,786	-	39,572
2013	-	19,786	19,786	-	39,572
2014	35,000	19,786	19,148	-	73,934
2015	845,000	19,148	3,515	500	868,163
2016	185,000	3,515	-	500	189,015
<b>Totals</b>	<b>\$1,065,000</b>	<b>\$183,260</b>	<b>\$161,165</b>	<b>\$1,000</b>	<b>\$1,410,425</b>

**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

Draw Dated: November 2006

Draw #8 \$1,000,000

Interest Rate: 3.55% - 4.00%

<b>Fiscal</b>		<b>Interest</b>	<b>Interest</b>	<b>Paying</b>	
<b>Year</b>	<b>Principal</b>	<b>1-Nov</b>	<b>1-May</b>	<b>Agent</b>	<b>Total</b>
				<b>Fees</b>	
2007	-	-	19,153	-	19,153
2008	-	19,153	19,153	-	38,306
2009	-	19,153	19,153	-	38,306
2010	-	19,153	19,153	-	38,306
2011	-	19,153	19,153	-	38,306
2012	-	19,152	19,152	-	38,304
2013	-	19,152	19,152	-	38,304
2014	-	19,152	19,152	-	38,304
2015	-	19,152	19,152	-	38,304
2016	695,000	19,152	5,947	-	720,099
2017	305,000	5,948	-	500	311,448
<b>Totals</b>	<b>\$1,000,000</b>	<b>\$178,320</b>	<b>\$178,320</b>	<b>\$500</b>	<b>\$1,357,140</b>

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

Total Loan Amount: \$16,000,000  
Dated: November 1, 2000  
Draw Dated: May 1, 2007  
Draw #9 \$1,000,000  
Interest Rate: 3.55% - 4.00%

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest 1-Nov</b>	<b>Interest 1-May</b>	<b>Paying Agent Fees</b>	<b>Total</b>
2007	-	-	-	-	-
2008	-	19,598	19,598	-	39,196
2009	-	19,598	19,598	-	39,196
2010	-	19,598	19,598	-	39,196
2011	-	19,598	19,598	-	39,196
2012	-	19,598	19,598	-	39,196
2013	-	19,598	19,598	-	39,196
2014	-	19,598	19,598	-	39,196
2015	-	19,598	19,598	-	39,196
2016	-	19,598	19,598	-	39,196
2017	610,000	19,598	7703	-	629,598
2018	390,000	7,703	-	500	398,203
<b>Totals</b>	<b>\$1,000,000</b>	<b>\$203,683</b>	<b>\$184,085</b>	<b>\$500</b>	<b>\$1,380,565</b>

**DEBT SERVICE  
SCHEDULE OF REQUIREMENTS  
WATER/WASTEWATER REVENUE BONDS  
Series 2003**

Original Issue: \$1,500,000

Dated: September 30, 2003

Interest Rate: Various 4.70% - 5:00%

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest 1-Nov</b>	<b>Interest 1-May</b>	<b>Paying Agent Fees</b>	<b>Total</b>
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
<b>Totals</b>	<b>\$1,455,000</b>	<b>\$377,695</b>	<b>\$344,404</b>	<b>\$14,250</b>	<b>\$2,191,349</b>

**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>
<b>Paid to-date</b>	\$135,939	\$130,081	\$266,020	\$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>
<b>Paid to-date</b>	\$209,969	\$197,220	\$407,189	\$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	-

