

OFFICIAL STATEMENT DATED MARCH 10, 2021

NEW ISSUE-BOOK-ENTRY-ONLY

RATINGS: BAM Insured S&P “AA” (stable outlook);

Underlying Rating: Moody’s “Baa1”

See “MUNICIPAL BOND RATINGS” and “BOND INSURANCE”

Delivery of the Bonds (defined herein) is subject to the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District, to the effect that interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein.

THE DISTRICT HAS DESIGNATED THE BONDS AS QUALIFIED TAX-EXEMPT OBLIGATIONS. See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions” herein.

\$5,750,000

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3

(A Political Subdivision of the State of Texas Located in Williamson and Travis Counties, Texas)

UNLIMITED TAX BONDS, SERIES 2021

Dated: April 15, 2021

Due: September 1, as shown on page 2

Interest on the Lakeside Municipal Utility District No. 3 Unlimited Tax Bonds, Series 2021 (the “Bonds”) will accrue from the date of delivery, currently anticipated to be April 15, 2021, and is payable September 1, 2021 and each March 1 and September 1 thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrant for the Bonds is UMB Bank, N.A., Austin Texas (the “Paying Agent”). The Bonds are obligations solely of Lakeside Municipal Utility District No. 3 (the “District”) and are not obligations of the City of Pflugerville, Texas; Williamson County, Texas; Travis County, Texas; the State of Texas; or any entity other than the District.

The proceeds of the Bonds will be used to finance the District’s share of the costs for the following projects: (i) water distribution, wastewater collection, drainage improvements, and excavation costs associated with the Commons at Rowe Lane, Phase IV-B; (ii) water distribution, wastewater collection, drainage improvements, and excavation costs associated with the Commons at Rowe Lane, Phase V-B; (iii) water distribution, wastewater collection, drainage improvements, excavation, and erosion control costs associated with the Commons at Rowe Lane, Phase VI-B; (iv) engineering fees for the Commons at Rowe Lane, Phases IV-B, V-B, and VI-B; (v) detention pond/drainage land costs associated with the drainage lot associated with the Commons at Rowe Lane V-B, VI-B, and VIII. In addition, proceeds of the Bonds will be used to: (i) capitalize approximately twelve (12) months’ interest requirements on the Bonds; (ii) pay developer interest; (iii) pay engineering fees; and (iv) pay certain costs associated with the issuance of the Bonds.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**. See “BOND INSURANCE.”



**MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS,
REDEMPTION PROVISIONS AND CUSIP NUMBERS**
(see page 2)

The Bonds, when issued, will constitute valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS - Source of and Security for Payment.” THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See “INVESTMENT CONSIDERATIONS” herein.

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things to the approval of the Initial Bond by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about April 15, 2021 (the “Date of Delivery”) in Austin, Texas.

MATURITY SCHEDULE
(Due September 1)

CUSIP Prefix: 512185

Due	Principal Amount	Interest Rate ^(a)	Initial Reoffering Yield ^(b)	CUSIP Suffix ^(c)	Due	Principal Amount	Interest Rate ^(a)	Initial Reoffering Yield ^(b)	CUSIP Suffix ^(c)
2021	\$ 110,000	2.000%	0.200%	HZ5	2030 *	\$ 330,000	2.000%	1.450%	JJ9
2022	260,000	2.000%	0.250%	JA8	2031 *	340,000	2.000%	1.600%	JK6
2023	300,000	2.000%	0.400%	JB6	2032 *	385,000	2.000%	1.700%	JL4
2024	295,000	2.000%	0.600%	JC4	2033 *	405,000	2.000%	1.800%	JM2
2025	290,000	3.000%	0.800%	JD2	2034 *	380,000	2.000%	1.900%	JN0
2026	290,000	3.000%	1.000%	JE0	2035 *	405,000	2.000%	2.000%	JP5
2027	310,000	3.000%	1.100%	JF7	2036 *	450,000	2.000%	2.050%	JQ3
2028 *	335,000	2.000%	1.200%	JG5	2037 *	530,000	2.000%	2.100%	JR1
2029 *	335,000	2.000%	1.300%	JH3					

* The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2028, in whole or from time to time in part, on September 1, 2027, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS - Redemption."

- (a) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest bid to purchase the Bonds, bearing interest as shown, at a price of 101.40% of par, resulting in a net effective interest rate to the District of 1.940381%.
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first redemption date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Initial Purchaser (as herein defined). The yields may be changed at any time at the discretion of the Initial Purchaser.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services provided by CUSIP Global Services. Neither the Initial Purchaser, the District, nor Public Finance Group LLC, the District's financial advisor (the "Financial Advisor") is responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part as a result of the procurement of secondary market portfolio insurance or other similar enhancements by investors that is applicable to all or a portion of certain maturities of the Bonds.

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM") MAKES NO REPRESENTATION REGARDING THE BONDS OR THE ADVISABILITY OF INVESTMENT IN THE BONDS. IN ADDITION, BAM HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HEREIN, OR OMITTED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING BAM SUPPLIED BY BAM AND PRESENTED UNDER THE HEADING "BOND INSURANCE" AND "APPENDIX C – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

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USE OF INFORMATION IN OFFICIAL STATEMENT

This Official Statement does not alone constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Any references to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor, for further information.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District, to the extent that information actually comes to its attention, until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT - Updating the Official Statement During Underwriting Period" and "CONTINUING DISCLOSURE OF INFORMATION."

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE BONDS OR PASSED UPON THE ACCURACY OR ADEQUACY OF THE OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NEITHER THE DISTRICT NOR THE FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS PRELIMINARY OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

THE CONTENTS OF THIS OFFICIAL STATEMENT ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE, AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN ATTORNEYS AND BUSINESS AND TAX ADVISORS.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of SAMCO Capital Markets (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on page 2 of this Official Statement at a price of 101.40% of par. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the Date of Delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over - allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

Additionally, there are no assurances that if a secondary market for the Bonds were to develop, that it will not be disrupted by events including, but not limited to, the current pandemic associated with the COVID-19 virus. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so emergency or other purposes.

Subject to prevailing market conditions, the Initial Purchaser intends, but is not obligated, to make a market in the Bonds. There is presently no secondary markets for the Bonds will develop or, if developed, will not be disrupted by events including, but not limited to, the current pandemic associated with the COVID-19 virus. See “INVESTMENT CONSIDERATIONS – Infectious Disease Outbreak (COVID-19).” Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes. See “INVESTMENT CONSIDERATIONS – No Certainty of a Secondary Market.”

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

The statements contained in this Official Statement and in other information provided by the District that are not purely historical are forward-looking statements, including regarding the District’s expectations, hopes, intentions, or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. See “INVESTMENT CONSIDERATIONS – Forward-Looking Statements.”

MUNICIPAL BOND RATINGS

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) is expected to assign a rating of “AA” (stable outlook) to the Bonds, as a result of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company (“BAM” or the “Insurer”) at the time of delivery of the Bonds. Additionally, Moody’s Investors Service, Inc. (“Moody’s”) has assigned an underlying rating of “Baa1” to the Bonds.

An explanation of the significance of a rating may be obtained from S&P and Moody’s, the companies furnishing the ratings. The rating reflects only the respective view of such company, and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if, in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

BOND INSURANCE

Bond Insurance Policy

Concurrently, with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut, or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any

downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$485.4 million, \$160.7 million and \$324.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

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OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement which includes the Appendices attached hereto. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement which the Appendices attached hereto.

THE DISTRICT

The District	Lakeside Municipal Utility District No. 3 (the “District”), a political subdivision of the State of Texas, was created by order of the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”), effective September 1, 2005, and confirmed pursuant to an election held within the District on November 8, 2005. The District was created for the purpose of providing, operating, and maintaining facilities to control storm water, distribute potable water, and to collect and treat wastewater and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. See “THE DISTRICT – General.”
Location	The District, which encompasses approximately 283 acres of land, is located predominately in northeast Travis County with a small portion located in southeast Williamson County and lies approximately five miles northeast of downtown of the City of Pflugerville, Texas (the “City”). The District is located north of and adjacent to Rowe Lane, approximately one mile east of FM 685 North on State Highway 130 Toll Road, an approximately 49 mile toll road that currently extends from north of Georgetown to Seguin, Texas and Interstate Highway 10 (“SH 130”), and is contained entirely within the extraterritorial jurisdiction of the City of Pflugerville, Texas. See “THE DISTRICT – Location.”
The Developer	The Developer currently active within the District is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership (the “Developer” or “Lennar”). The General Partner of Lennar Homes of Texas Land and Construction, Ltd. is Lennar Texas Holding Company, a Texas corporation which is an affiliate of Lennar Corporation a publicly traded company. See the “DEVELOPER.”
Status of Development	Of the approximately 283 acres within the District approximately 257 are developable under current land development and water quality regulations. As of January 5, 2021, the development in the District consists of 940 developed single-family lots, which includes 848 completed homes, 38 homes under construction, and 54 vacant single-family lots. The District also contains an amenity center totaling 7,500 square feet on 2.26 acres, which includes an adult pool, children’s pool, volleyball court, sport court, playground, park, and hike and bike trails. See “THE DISTRICT – Current Status of Development.”
Homebuilders	According to the Developer, Lennar, is currently the only active homebuilder within the District. The homes range in price from \$237,900 to \$297,900 with square footage ranging from 1,662 to 3,306. See “THE DEVELOPER.”
COVID-19 Pandemic	The potential impact of the COVID-19 pandemic on the District cannot be quantified at this time but the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein is the latest available but is as of dates and for the periods prior to the economic impact of the pandemic and the measures instituted to control the pandemic. Accordingly, the data is not indicative of the economic impact of the pandemic on the District’s financial condition. See “INVESTMENT CONSIDERATIONS – Infectious Disease Outbreak (COVID-19).”

THE BONDS

Description	The Bonds in the aggregate principal amount of \$5,750,000 mature serially in varying amounts on September 1 of each year from 2021 through 2037, inclusive, as set forth on page 2 hereof. Interest accrues from the Date of Delivery at the rates per annum set forth on the inside cover page hereof and is payable September 1, 2021 and each March 1 and September 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS - General Description.”
Redemption	The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2028, in whole or from time to time in part, on September 1, 2027, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS - Redemption.”

Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not legally limited as to rate or amount. See "TAXING PROCEDURES." The Bonds are obligations solely of the District and are not obligations of the City of Pflugerville, Texas; Williamson County, Texas; Travis County, Texas; the State of Texas; or any entity other than the District. See "THE BONDS - Source of and Security for Payment."
Payment Record	The Bonds constitute the eighth (8 th) installment of new money bonds issued by the District. The District has also issued three (3) installments of refunding bonds. The District has never defaulted on the timely payment of principal and interest on its outstanding bonds. Currently, the District's outstanding bonds are entitled "\$1,725,000 Lakeside Municipal Utility District No. 3 Unlimited Tax Bonds, Series 2012" (the "Series 2012 Bonds"); "\$2,745,000 Lakeside Municipal Utility District No. 3 Unlimited Tax Refunding Bonds, Series 2013" (the "Series 2013 Bonds"); "\$2,250,000 Lakeside Municipal Utility District No. 3 Unlimited Tax Bonds, Series 2013A" (the "Series 2013A Bonds"); "\$2,000,000 Lakeside Municipal Utility District No. 3 Unlimited Tax Bonds, Series 2014" (the "Series 2014 Bonds"); "\$4,000,000 Lakeside Municipal Utility District No. 3 Unlimited Tax Bonds, Series 2016" (the "Series 2016 Bonds"); "\$3,370,000 Lakeside Municipal Utility District No. 3 Unlimited Tax Bonds, Series 2018" (the "Series 2018 Series"); "\$4,060,000 Lakeside Municipal Utility District No. 3 Unlimited Tax Refunding Bonds, Series 2019" (the "Series 2019 Bonds"); and "\$2,000,000 Lakeside Municipal Utility District No. 3 Unlimited Tax Refunding Bonds, Series 2020" (the "Series 2020 Bonds") (collectively, the "Outstanding Bonds"). The proceeds of the outstanding new money bonds included up to 24 months of capitalized interest. See "FINANCIAL STATEMENT – Outstanding Bonds – Table 6."
Authority for Issuance.....	The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas including Chapters 49 and 54 of the Texas Water Code, as amended, a bond election held within the District on November 8, 2005, approving the issuance of bonds, the approving Order of the TCEQ, and pursuant to a Resolution (the "Bond Resolution") adopted by the Board of Directors of the District on the date of the sale of the Bonds. See "THE BONDS - Authority for Issuance."
Use of Proceeds.....	<p>The proceeds of the Bonds will be used to finance the District's share of the costs for the following projects: (i) water distribution, wastewater collection, drainage improvements, and excavation control costs associated with the Commons at Rowe Lane, Phase IV-B; (ii) water distribution, wastewater collection, drainage improvements, and excavation control costs associated with the Commons at Rowe Lane, Phase V-B; (iii) water distribution, wastewater collection, drainage improvements, and excavation control costs associated with the Commons at Rowe Lane, Phase VI-B; and (iv) detention pond/drainage land costs associated with the drainage lots associated with the Commons at Rowe Lane, Phases V-B, VI-B, and VIII.</p> <p>In addition, proceeds of the Bonds will be used to: (i) capitalized approximately twelve (12) months' interest requirements on the Bonds; (ii) pay developer interest; (iii) pay engineering fees; and (iv) pay certain costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."</p>
Bonds Authorized But Unissued.....	At an election held within the District on November 8, 2005, the voters within the District approved the issuance of \$55,500,000 in bonds for water, wastewater, and drainage facilities. After the sale of the Bonds, the District will have issued \$19,935,000 in bonds and will have \$35,565,000 remaining in authorized but unissued unlimited tax new money bonds for water, wastewater, and drainage facilities. The Comprehensive Development Agreement with the City of Pflugerville limits the amount of bonds that can be issued to reimburse the Developers to \$25,775,000 plus a reasonable adjustment for inflation. See "The District – Comprehensive Development Agreement." Additionally, at an election held in the District on November 8, 2005, the voters within the District approved the issuance of \$3,975,000 in unlimited tax bonds for the acquisition and construction of parks and recreational facilities, all of which remain authorized but unissued. See "FINANCIAL STATEMENT – Outstanding Bonds – Table 6" and "THE BONDS – Issuance of Additional Debt."
Municipal Bond Ratings and Bond Insurance.....	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign a rating of "AA" (stable outlook) to the Bonds, as a result of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer") at the time of delivery of the Bonds. Additionally, Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "Baa1" to the Bonds.

Qualified Tax-Exempt

Obligations The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended, and has represented that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2021 is not reasonably expected to exceed \$10,000,000. See “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions.”

Bond Counsel and Disclosure Counsel McCall, Parkhurst & Horton L.L.P., Austin, Texas.

General Counsel Armbrust & Brown, PLLC, Austin, Texas.

Financial Advisor Public Finance Group LLC, Austin, Texas.

Engineer..... Gray Engineering, Inc., Austin, Texas.

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds involves certain investment considerations and all prospective purchasers are urged to examine carefully the Official Statement, including particularly the section captioned “INVESTMENT CONSIDERATIONS,” with respect to the investment in the Bonds.

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SELECTED FINANCIAL INFORMATION
(Unaudited)

2020 Certified Assessed Valuation	\$227,437,044	(a)
Estimated Assessed Valuation as of January 5, 2021	261,310,092	(b)
Gross Debt Outstanding (after issuance of the Bonds)	\$ 19,935,000	(c)
Ratio of Gross Debt to 2020 Certified Assessed Valuation ^(a)	8.77%	
Ratio of Gross Debt to Estimated Assessed Valuation as of January 5, 2021 ^(b)	7.63%	
2020 Tax Rate		
Debt Service	\$ 0.4137	
Maintenance	<u>0.4263</u>	
Total 2020 Tax Rate	<u>\$ 0.8400</u>	(d)
Debt Service Fund Balance (as of March 10, 2021)	\$ 1,204,452	(e)
Percentage of current tax collections (Tax Years 2006-2020)	99.36%	(f)
Percentage of total tax collections (Tax Years 2006-2020)	99.71%	(f)
Projected Average Annual Debt Service Requirement of the Bonds and Outstanding Bonds ("Projected Average Requirement") (2021-2037, inclusive)	\$ 1,485,869	
Tax Rate required to pay Projected Average Requirement based upon 2020 Certified Assessed Valuation ^(a) at 95% collections	\$ 0.69 /\$100 AV	
Tax Rate required to pay Projected Average Requirement based upon Estimated Assessed Valuation as of January 5, 2021 ^(b) at 95% collections	\$ 0.60 /\$100 AV	
Projected Maximum Annual Debt Service Requirement of the Bonds and Outstanding Bonds ("Projected Maximum Requirement") (2022)	\$ 1,573,100	
Tax Rate required to pay Projected Maximum Requirement based upon 2020 Certified Assessed Valuation ^(a) at 95% collections	\$ 0.73 /\$100 AV	
Tax Rate required to pay Projected Maximum Requirement based upon Estimated Updated Valuation as of January 5, 2021 ^(b) 95% collections	\$ 0.64 /\$100 AV	
Number of active connections as of January 5, 2021		
Single Family - Occupied	848	
Single Family - Vacant	38	
Single Family - Builder	<u>54</u>	
Total Number of Active Connections	940	
Estimated Population as of January 5, 2021	2,544	(g)

- (a) Assessed valuation of the District as of January 1, 2020, as certified by the Williamson Central Appraisal District ("WCAD") and the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."
- (b) Estimated assessed valuation of the District as of January 5, 2021, as provided by the Williamson Central Appraisal District ("WCAD") and the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."
- (c) Includes the Bonds.
- (d) The District levied a 2020 tax rate of \$0.8400 at its meeting in September 2020.
- (e) Unaudited as of March 10, 2021. Does not include approximately twelve (12) months' capitalized interest (\$111,572) included in the Bond proceeds, to be deposited into the Debt Service Fund upon closing. Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the debt service fund.
- (f) See "TAX DATA – Tax Collections."
- (g) Based upon 3.0 residents per occupied single-family home.

OFFICIAL STATEMENT
relating to
\$5,750,000
Lakeside Municipal Utility District No. 3
(A Political Subdivision of the State of Texas Located in Williamson and Travis Counties, Texas)

UNLIMITED TAX BONDS, SERIES 2021

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Lakeside Municipal Utility District No. 3 (the "District") of its \$5,750,000 Unlimited Tax Bonds, Series 2021 (the "Bonds").

The Bonds are issued pursuant to a resolution (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board") on the date of the sale of the Bonds, pursuant to the Constitution and general laws of the State of Texas (the "State") including Chapters 49 and 54 of the Texas Water Code, as amended, the bond election approved by the voters within the District on November 8, 2005, and the approving order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission").

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order.

Included in this Official Statement are descriptions of the Bonds and certain information about the District, its finances and the Developers. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District, c/o Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas 78701 or from the District's Financial Advisor, Public Finance Group LLC, 900 South Capital of Texas Highway, Building IV, Suite 475, West Lake Hills, Texas 78746, upon payment of reasonable copying, mailing and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" and "OFFICIAL STATEMENT – Updating the Official Statement During Underwriting Period" for a description of the District undertaking to provide certain information on a continuing basis.

THE BONDS

General Description

The Bonds will bear interest from the Date of Delivery in the rates per annum set forth on page 2 hereof and will mature on September 1 of the years and in the principal amounts set forth on page 2 hereof. Interest on the Bonds will be paid on September 1, 2021, and each March 1 and September 1 thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only utilizing DTC's book-entry-only system (the "Book-Entry-Only System"). So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is UMB Bank, N.A., Austin, Texas (the "Paying Agent").

Redemption

Optional Redemption . . . The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2028, in whole or from time to time in part, on September 1, 2027, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption.

Notice of Redemption . . . At least 30 calendar days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent via United States mail, first-class postage prepaid, to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th calendar day prior to such redemption date and to major securities depositories and bond information services.

The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District, if less than all of the Bonds of a particular maturity are to be redeemed; the Paying Agent is required to select the Bonds of such maturity to be redeemed by lot.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Resolution have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

Selection of Bonds for Redemption

If less than all of the Bonds are called for redemption, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the District, and if less than all of a maturity, or sinking fund installment in the case of Term Bonds, is to be redeemed, the Paying Agent/Registrar shall determine by lot or other customary random method the Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Bond may be redeemed only in integral multiples of \$5,000 principal amount); provided, that during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity, or sinking fund installment in the case of Term Bonds, and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity, such interest rate and such sinking fund installment in the case of Term Bonds shall be selected in accordance with the arrangement between the District and the securities depository.

DTC Redemption Provision

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Resolution or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, as herein defined, or of any Direct Participant or Indirect Participant, as herein defined, to notify the beneficial owner, shall not affect the validity of the redemption of Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to the DTC Participants. Indirect Participants or the persons for whom DTC Participants act as nominees with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

Termination of Book-Entry-Only System

The District is initially utilizing the Book-Entry-Only System of DTC. See "BOOK-ENTRY-ONLY SYSTEM." In the event that the Book-Entry-Only System is discontinued by DTC or the District, the following provisions will be applicable to the Bonds.

Payment . . . Principal of the Bonds will be payable at maturity to the registered owners as shown by the registration books maintained by the Paying Agent upon presentation and surrender of the Bonds to the Paying Agent at the designated office for payment of the Paying Agent in Austin, Texas (the "Designated Payment/Transfer Office"). Interest on the Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent by United States mail, first-class, postage prepaid, to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent requested by registered owner at the risk and expense of the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

Registration. . . If the Book-Entry-Only System is discontinued, the Bonds may be transferred and re-registered on the registration books of the Paying Agent only upon presentation and surrender thereof to the Paying Agent at the Designated Payment/Transfer Office. A Bond also may be exchanged for a Bond or Bonds of like maturity and interest and having a like aggregate principal amount or maturity amount, as the case may, upon presentation and surrender at the Designated Payment/Transfer Office. All Bonds surrendered for transfer or exchange must be endorsed for assignment by the execution by the registered owner or his duly authorized agent of an assignment form on the Bonds or other instruction of transfer acceptable to the Paying Agent. Transfer and exchange of Bonds will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such transfer or exchange. A new Bond or Bonds, in lieu of the Bond being transferred or exchanged, will be delivered by the Paying Agent to the registered owner, at the Designated Payment/Transfer Office of the Paying Agent or by United States mail, first-class, postage prepaid. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer in denominations of \$5,000 or any integral multiple thereof.

Limitation on Transfer of Bonds . . . Neither the District nor the Paying Agent shall be required to make any transfer, conversion or exchange to an assignee of the registered owner of the Bonds (i) during the period commencing on the close of business on the fifteenth (15th) calendar day of the month (whether or not a business day) preceding each interest payment date (the "Record Date") and ending with the opening of business on the next following principal or interest payment date; or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five

(45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds

If a Bond is mutilated, the Paying Agent will provide a replacement Bond in exchange for the mutilated Bond. If a Bond is destroyed, lost or stolen, the Paying Agent will provide a replacement Bond upon (i) the filing by the registered owner with the Paying Agent of evidence satisfactory to the Paying Agent of the destruction, loss or theft of the Bond and the authenticity of the registered owner's ownership, and (ii) the furnishing to the Paying Agent of indemnification in an amount satisfactory to hold the District and the Paying Agent harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond must be borne by the registered owner. The provisions of the Bond Resolution relating to the replacement Bonds are exclusive and to the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

Authority for Issuance

At an election held within the District on November 8, 2005, the voters within the District authorized the issuance of \$55,500,000 in bonds for water, wastewater and drainage facilities. After the sale of the Bonds, the District will have issued \$19,935,000 in bonds and will have \$35,565,000 remaining in authorized but unissued bonds. The Comprehensive Development Agreement with the City of Pflugerville limits the amount of bonds that can be issued to reimburse the Developers to \$25,775,000 plus a reasonable adjustment for inflation. See "The District – Comprehensive Development Agreement." The Bonds are issued pursuant to the terms and provisions of the Bond Resolution, Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. The issuance of the Bonds has been approved by the TCEQ.

Source of and Security for Payment

The Bonds will be payable from and secured by a pledge of the proceeds of a continuing, direct annual ad valorem tax without legal limitation as to rate or amount levied against all taxable property located within the District. The Board covenants in the Bond Resolution that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax against taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the payment of principal of the Bonds when due or the redemption price at any earlier required redemption date, to pay when due any other contractual obligations of the District payable in whole or in part from taxes, and to pay the expenses of assessing and collecting such tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in a special account of the District designated its "Debt Service Fund" for the Bonds. The Bond Resolution provides for the termination of the pledge of taxes when and if the City of Pflugerville dissolves the District and assumes all debts and liabilities of the District.

The Bonds are obligations solely of the District and are not obligations of the City of Pflugerville, Texas; Williamson County, Texas; Travis County, Texas; the State of Texas; or any political subdivision or entity other than the District.

Payment Record

The Bonds constitute the eighth (8th) installment of new money bonds issued by the District. The District has also issued three installments of refunding bonds. The District has never defaulted on the timely payment of principal and interest on its outstanding bonds. Currently, the District's outstanding bonds are entitled "\$1,725,000 Lakeside Municipal Utility District No. 3, Unlimited Tax Bonds, Series 2012" (the "Series 2012 Bonds"); "\$2,745,000 Lakeside Municipal Utility District No. 3, Unlimited Tax Refunding Bonds, Series 2013" (the "Series 2013 Bonds"); "\$2,250,000 Lakeside Municipal Utility District No. 3, Unlimited Tax Bonds, Series 2013A" (the "Series 2013A Bonds"); "\$2,000,000 Lakeside Municipal Utility District No. 3 Unlimited Tax Bonds, Series 2014" (the "Series 2014 Bonds"); "\$4,000,000 Lakeside Municipal Utility District No. 3, Unlimited Tax Bonds, Series 2016" (the "Series 2016 Bonds"); "\$3,730,000 Lakeside Municipal Utility District Unlimited Tax Bonds, Series 2018" (the "Series 2018 Bonds"); "\$4,060,000 Lakeside Municipal Utility District Unlimited Tax Refunding Bonds, Series 2019" (the "Series 2019 Bonds"); and "\$2,000,000 Lakeside Municipal Utility District Unlimited Tax Refunding Bonds, Series 2020 (the "Series 2020 Bonds") (collectively, the "Outstanding Bonds"). The proceeds of the outstanding new money bonds included up to 24 months of capitalized interest.

Flow of Funds

The Bond Resolution creates or affirms a Debt Service Fund and a Capital Projects Fund.

Each fund shall be kept separate and apart on the books and record of the District from all other funds of the District. The Debt Service Fund shall constitute a trust fund which shall be held in trust for the benefit of the registered owner of the Bonds.

Any cash balance in any fund must be continuously secured by a valid pledge to the District of securities eligible under the laws of the State of Texas to secure the funds of municipal utility districts having an aggregate market value, exclusive of accrued interest, at all times equal to the cash balance in the fund to which such securities are pledged.

Debt Service Fund... The Bond Resolution establishes the Debt Service Fund to be used to pay principal and interest on and Paying Agent fees in respect to the Bonds. The Bond Resolution requires that the District deposit to the credit of the Debt Service Fund (i) the amount received

from proceeds of the Bonds representing capitalized interest on the Bonds, (ii) District ad valorem taxes (and penalties and interest thereon) levied to pay debt service requirements on (or fees and expenses of the Paying Agent with respect of) the Bonds, and (iii) such other funds as the Board shall, at its option, deem advisable. The Bond Order requires that the Debt Service Fund be applied solely to provide for the payment of the principal or redemption price of and interest on the Bonds when due, and to pay fees to Paying Agent when due.

Capital Projects Fund... The Capital Projects Fund is the capital improvements fund of the District. The Bond Resolution requires the District to deposit to the credit of the Capital Projects Fund the balance of the proceeds of the Bonds remaining after the deposits to the Debt Service Fund provided in the Bond Resolution. The Capital Projects Fund may be applied solely to (i) pay the costs necessary or appropriate to accomplish the purposes for which the Bonds are issued, (ii) pay the costs of issuing the Bonds and (iii) to the extent the proceeds of the Bonds and investment income attributable thereto are in excess of the amounts required to acquire and construct water, wastewater and drainage facilities as approved by TCEQ, then in the discretion of the Board of Directors of the District to transfer such unexpended proceeds or income to the Debt Service Fund or to utilize such funds as otherwise authorized by the TCEQ.

Paying Agent/Registrar

Principal of and semiannual interest on the Bonds will be paid by the initial Paying Agent/Registrar, UMB Bank, N.A., having an office for payment in Austin, Texas. Any Paying Agent must be either a bank, trust company, financial institution or other entity duly qualified and equally authorized to serve and perform the duties as paying agent and registrar for the Bonds.

Provision is made in the Bond Resolution for the District to replace the Paying Agent by a resolution of the District giving notice to the Paying Agent of the termination of the appointment, stating the effective date of the termination and appointing a successor Paying Agent. If the Paying Agent is replaced by the District, the new Paying Agent shall be required to accept the previous Paying Agent's records and act in the same capacity as the previous Paying Agent. Any successor paying agent/registrar selected by the District shall be subject to the same qualification requirements as the Paying Agent. The successor paying agent/registrar, if any, shall be determined by the Board of Directors and written notice thereof, specifying the name and address of such successor paying agent/registrar will be sent by the District or the successor paying agent/registrar to each registered owner by first-class mail, postage prepaid.

Defeasance of Outstanding Bonds

General . . . The Bond Resolution provides for the defeasance of the Bonds and the termination of the pledge of taxes and all other general defeasance covenants in the Bond Resolution under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding within the meaning of the Bond Resolution (a "Defeased Bond"), except to the extent provided below for the Paying Agent to continue payments, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent or an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment, or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the District with the Paying Agent or an eligible trust company or commercial bank for the payment of its services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied and pledged, as provided in the Bond Resolution and such principal and interest shall be payable solely from such money or Defeasance Securities, and shall not be regarded as outstanding under the Bond Resolution.

Any money so deposited with or made available to the Paying Agent or an eligible trust company or commercial bank also may be invested at the written direction of the District in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent or an eligible trust company or commercial bank that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be remitted to the District or deposited as directed in writing by the District.

Until all Defeased Bonds shall have become due and payable, the Paying Agent shall perform the services of Paying Agent for such Defeased Bonds the same as if they had not been defeased, and the District shall make proper arrangements to provide and pay for such services as required by the Bond Resolution.

For purposes of these provisions, "Defeasance Securities" means (1) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (2) non-callable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provides for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; (3) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provides for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (4) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds.

Any such obligations must be certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to provide all debt service payments on the Bonds.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Resolution does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

Retention of Rights . . . To the extent that, upon the defeasance of any Defeased Bond to be paid at its maturity, the District retains the right under State law to later call the Defeased Bond for redemption in accordance with the provisions of the order authorizing the issuance, the District may call such Defeased Bond for redemption upon complying with the provisions of State law and upon satisfaction of the provisions set forth above regarding such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

Investments . . . Any escrow agreement or other instrument entered into between the District and the Paying Agent or an eligible trust company or commercial bank pursuant to which money and/or Defeasance Securities are held by the Paying Agent or an eligible trust company or commercial bank for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent or an eligible trust company or commercial bank which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the District or deposited as directed in writing by the District.

Record Date

The record date for payment of the interest on Bonds on any regularly scheduled interest payment date is defined as the close of business on the fifteenth (15th) calendar day of the month (whether or not a business day) preceding such interest payment date.

Issuance of Additional Debt

The District may issue bonds or other obligations necessary to provide those improvements and facilities for which the District was created, with the approval of the TCEQ and, in the case of bonds payable from taxes, the District's voters. On November 8, 2005, voters within the District authorized the issuance of unlimited tax bonds in the principal amount of \$55,500,000 for the purpose of providing water, wastewater, and drainage facilities to meet the needs of the residents and customers of the District. Following the issuance of the Bonds, the District will have issued \$19,935,000 in bonds and \$35,565,000 in unlimited tax bonds authorized by the District voters will remain authorized but unissued, however, pursuant to the Comprehensive Development Agreement with the City of Pflugerville the District is limited to the issuance of \$25,775,000 in bonds (adjusted for inflation) to reimburse the Developers. See "FINANCIAL STATEMENT – Authorized But Unissued Bonds" and "THE DISTRICT – Comprehensive Development Agreement." Additionally, at an election held in the District on November 8, 2005, the voters within the District approved the issuance of \$3,975,000 in unlimited tax bonds for the acquisition and construction of parks and recreational facilities, all of which remain authorized but unissued. Neither State Law nor the Bond Resolution imposes a limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may dilute the security of the Bonds. See "INVESTMENT CONSIDERATIONS."

According to the District's engineer, the \$25,775,000 in principal amount of bonds authorized to be issued pursuant to the Comprehensive Development Agreement, should be sufficient to reimburse the Developers for the development within the District. After the issuance of the Bonds, the District will have \$35,565,000 remaining authorized but unissued new money bond authorization pursuant to the November 8, 2005 bond election and the \$3,975,000 of unlimited tax bonds for parks and recreational facilities, all of which remains authorized but unissued. In addition, voters may authorize the issuance of additional bonds or other contractual obligations secured by ad valorem taxes. The District also has the right to issue refunding bonds, as well as revenue bonds and notes without voter approval. The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval of the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District.

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186 of the Texas Water Code, bonds, notes or other obligations issued by a district "shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts and all other kinds and types of districts, public agencies and bodies politic." Additionally, Section 49.186 of the Texas Water Code provides that bonds, notes or other obligations issued by a district are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions and instrumentalities of the State. For political subdivisions in the State that have adopted investment policies and guidelines in accordance with the Public Funds

Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than “A” or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds.

The District makes no representation that the Bonds will be acceptable to banks, savings and loan associations or public entities for investment purposes or to secure deposits of public funds. The District has made no investigation of other laws, regulations or investment criteria which might apply to or otherwise limit the availability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds and as to the acceptability of the Bonds for investment or collateral purposes.

Specific Tax Covenants

In the Bond Resolution the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the manner in which the proceeds of the Bonds are to be invested. The District may cease to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that regulations or rulings hereafter promulgated modify or expand provisions of the Internal Revenue Code of 1986, as amended (the “Code”), so that such covenant is ineffective, inapplicable, or compliance with such covenant adversely affects the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

Additional Covenants

The District has additionally covenanted in the Bond Resolution that it will keep accurate records and accounts and employ an independent certified public accountant to audit and report on its financial affairs at the close of each fiscal year, such audits to be in accordance with applicable law, rules and regulations and open to inspection in the office of the District.

Remedies in Event of Default

The Bond Resolution establishes specific events of default with respect to the Bonds. If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Bond Resolution, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Bond Resolution and Chapter 54 of the Texas Water Code provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Bond Resolution and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, subject to the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Resolution does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Bond Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interest, Ltd. vs. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) (“*Wasson I*”), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion clarifying *Wasson I*, *Wasson Interest, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) (“*Wasson II*,” and together with *Wasson I*, “*Wasson*”), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the state's immunity since they are performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated on the facts and circumstances surrounding the contract in question. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond Resolution covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater system(s) of the district(s) with which it is consolidating. The revenues of the consolidated system may be pledged equally to all first lien bonds of the consolidating districts. No representation is made that the District will consolidate its water and wastewater system with any other district.

Annexation

The District lies entirely within the extraterritorial jurisdiction of the City. Under prior Texas law, a municipality could annex and a dissolve a municipal utility district located within its extraterritorial jurisdiction without the consent of the district or its residents. Under House Bill 347 approved during the 86th Regular Legislative Session (“HB 347”), (a) a municipality may annex a district with a population less than 200 residents only if: (i) the municipality obtains the consent to annex the area through a petition signed by more than 50% of the registered voters of the district, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation; and (b) a municipality may annex a district with a population of 200 residents or more only if: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the foregoing, a municipality may annex an area if each owner of land in the area requests the annexation. As of January 5, 2021, the District had an estimated population of 2,544, thus triggering the voter approval and/or landowner consent requirements discussed above. The described election and petition process does not apply, however, during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for annexation of all or a portion of the District.

If a municipal utility district is full purpose annexed, the municipality must assume the assets, functions, and obligations of the District, including outstanding bonds, and the pledge of taxes will terminate. No representation is made concerning the likelihood of annexation and dissolution of the District or the ability of the City to make debt service payments on the Bonds should dissolution occur.

Alteration of Boundaries

In certain circumstances under State law, the District may alter its boundaries to, upon satisfying certain conditions, (i) annex additional territory; and (ii) exclude land subject to taxation within the District that is not served by District facilities. No representation is made concerning the likelihood that the District would effect any further change in its boundaries.

Approval of the Bonds

As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See “USE AND DISTRIBUTION OF BOND PROCEEDS.” The TCEQ approved the issuance of the Bonds by an order signed on December 21, 2020 (the “TCEQ Order”). In addition, the Attorney General of Texas must also approve the legality of the Bonds prior to their delivery. Neither the TCEQ nor the Attorney General of Texas passes upon or guarantees the security of the Bonds as an investment, nor have the foregoing authorities passed upon the adequacy or accuracy of the information contained in this Official Statement.

Amendments to the Bond Resolution

The District may, without the consent of or notice to any registered owners, amend the Bond Resolution in any manner not detrimental to the interest of the registered owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Resolution, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest therein, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of and interest on the Bonds, or (ii) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may within the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by the DTC while the Bonds are registered in its nominee’s name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (i) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (ii) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (iii) DTC will serve

and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the Book-Entry-Only System for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the Book-Entry-Only System transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the District believes to be reliable, but neither the District nor the Financial Advisor take any responsibility for the accuracy thereof.

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USE AND DISTRIBUTION OF BOND PROCEEDS

The proceeds of the Bonds will be used to finance the District's share of the costs for the following projects: (i) water distribution, wastewater collection, drainage improvements and excavation costs associated with the Commons at Rowe Lane, Phase IV-B; (ii) water distribution, wastewater collection, drainage improvements and excavation costs associated with the Commons at Rowe Lane, Phase V-B; (iii) water distribution, wastewater collection, drainage improvements, excavation, and erosion control costs associated with the Commons at Rowe Lane, Phase VI-B; (iv) engineering fees for the Commons at Rowe Lane, Phases IV-B, V-B, and VI-B; and (v) detention pond/drainage land costs associated with the drainage lot associated with the Commons at Rowe Lane, Phase V-B, VI-B, and VIII. In addition, proceeds of the Bonds will be used to: (i) capitalize approximately twelve (12) months' interest requirements on the Bonds; (ii) pay developer interest; (iii) pay engineering fees; and (iv) pay certain costs associated with the issuance of the Bonds.

The use and distribution of Bond proceeds are set forth below. Of the proceeds to be received from the sale of the Bonds, \$3,986,222 is required for construction costs, and \$1,763,778 is required for non-construction costs, including \$111,572 of capitalized interest (approximately twelve (12) months of interest at an interest rate of 1.940381%). See "Comprehensive Development Agreement" regarding the reimbursement of bond proceeds to the Developers.

(Chart appears on following page)

Construction Costs**A. Developer Contribution Items**

1. The Commons at Rowe Lane, Phase IVB & VB Water Distribution, Wastewater Collection, and Drainage Improvements	\$ 2,428,768
2. The Commons at Rowe Lane, Phase VIB Water Distribution, Wastewater Collection, and Drainage Improvements	945,639
3. Engineering Fees for items 1 and 2	<u>215,919</u>
Total Developer Contribution Items	\$ 3,590,326

B. District Items

1. The Commons at Rowe Lane, Phase IVB	
a. Water Impact Fees to Manville WSC	\$ 92,400
b. Wastewater Impact Fees to City of Pflugerville	79,662
2. Commons at Rowe Lane, Phase VB	
a. Water Impact Fees to Manville WSC	282,800
b. Wastewater Impact Fees to City of Pflugerville	243,814
3. The Commons at Rowe Lane, Phase VIB	
a. Water Impact Fees to Manville WSC	156,800
b. Wastewater Impact Fees to City of Pflugerville	135,184
4. The Commons at Rowe Lane, Phase VIII Land Acquisition Detention Pond Lot 34-B	94,020
5. The Commons at Rowe Lane, Phase VI-B Land Acquisition Detention Pond Lot 1 Blk AA and Lot 50 Blk O	518,441
6. The Commons at Rowe Lane, Phase VB Land Acquisition Detention Pond Lot 26 Blk AA	<u>188,936</u>
Total District Items	\$ 1,792,057

Total Developer and District Contribution Items: 5,382,383
Less: Surplus Capital Projects Fund (637,333)

Total Construction Costs **\$ 4,745,050**

Non-Construction Costs

A. Legal fees (2.60%)	\$ 149,375
B. Financial Advisor Fees (2%)	115,000
C. Interest Costs	
1 Capitalized Interest (12 months at 1.940381%)	111,572
2 Developer Interest ^(a)	239,250
D. Underwriter's Discount (1.72%)	99,038
E. Bond Issuance Expenses	64,325
F. Bond Application Report	57,500
G. Attorney General Fee (0.10%)	5,750
H. TCEQ Bond Issuance Fee (0.25%)	14,375
I. Contingency ^(b)	<u>148,766</u>
Total Non-Construction Costs	\$ 1,004,950

TOTAL BOND ISSUE REQUIREMENT **\$ 5,750,000**

- (a) Preliminary; subject to change. The amount of Developer Interest will be finalized in connection with the reimbursement audit approved by the Board of Directors prior to disbursement of funds.
- (b) The TCEQ, in its approval of the Bonds, directed any surplus Bond proceeds to be shown as a contingency line item and be subject to the TCEQ rules on use of surplus Bond funds.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of the State; Williamson County, Texas; Travis County, Texas; the City of Pflugerville, Texas; or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. See “THE BONDS - Source of and Security for Payment”.

The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will occur or that the development in the District will maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See “Registered Owners' Remedies” below.

Infectious Disease Outbreak (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”) which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States declared the Pandemic a national emergency and the Texas Governor (the “Governor”) declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the “disaster declarations”). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. Furthermore, the Governor has suspended various statutes of the Texas Open Meetings Act that require government officials and members of the public to be physically present at a specified meeting location. This temporary suspension will allow for telephonic or videoconference meetings of governmental bodies that are accessible to the public in an effort to reduce in-person meetings that assemble large groups of people. Many of the federal, state, and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas. Homebuilding activity or the construction of utility facilities within the District are not prohibited.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. While any potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition or rating by impacting property tax values, the collection of ad valorem taxes, the homebuilding activity within the District including delays in obtaining construction permits for development. See “INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments – Dependence Upon the Developer, Lot Owners and Homebuilders.”

The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

The financial and operating data contained herein are the latest available but are as of dates and for periods largely prior to the economic impact of the Pandemic and measures instituted to slow the Pandemic. Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition or its rating. For more information regarding the District's current fund balances, see “FINANCIAL STATEMENT – Cash and Investment Balances – Table 7” and “– Current Investments – Table 8.”

No Certainty of a Secondary Market

Subject to prevailing market conditions, the Initial Purchaser intends, but is not obligated, to make a market in the Bonds. There is presently no secondary market for the Bonds, and no assurance that a secondary market for the Bonds will develop or, if developed, will not be disrupted by events including, but not limited to, the current pandemic associated with the COVID-19 virus. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

Factors Affecting Taxable Values and Tax Payments

Economic Factors, Interest Rates, Credit Availability and Residential Foreclosures: A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots and residential dwellings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the economic prosperity

and demographic characteristics of the urban centers toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values.

Interest rates and the availability of credit, including mortgage and development funding, have a direct impact on the construction activity, particularly short-term interest rates at which the Developers and homebuilders are able to obtain financing for development and construction costs. As a result of increasing foreclosure activity, potential adverse impact on assessed valuations and a general tightening of credit that has resulted, lenders have increased lending requirements for both single family mortgage lending and real estate development lending. Additionally, lenders have been selective in recent years in making real estate development loans in the Austin area because of the negative impact to their real estate portfolios. Interest rate levels and the general availability of credit may affect the ability of a landowner with undeveloped property to undertake and complete development activities within the District and the ability of potential homeowners to purchase homes. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued development and construction within the District. In addition, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and regional economics.

Competition: The demand for single-family homes in the District could be affected by competition from other residential developments, including other residential developments located in other utility districts located near the District. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods closer to downtown Austin that are for sale. Such homes could represent additional competition for homes proposed to be sold within the District.

The competitive position of the Developers in the sale of developed lots and of prospective builders in the construction of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

Developers under No Obligation to the District: There is no commitment from, or obligation of, any developer to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots and tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developers and the other principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such financial conditions may have on their ability to pay taxes. See "THE DEVELOPERS" and "TAX DATA – Principal Taxpayers – Table 12."

Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2020 Certified Assessed Valuation of the District is \$227,437,044. After issuance of the Bonds, the Maximum Requirement will be \$1,573,100 (2022) and the Average Requirement will be \$1,485,869 (2021 through 2037, inclusive). Assuming (1) no increase or decrease from the 2020 Certified Assessed Valuation; (2) the issuance of no additional debt; and (3) no other funds available for the payment of debt service, tax rates of \$0.73 and \$0.69 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. The District's Estimated Updated Assessed Valuation as of January 5, 2021 is \$261,310,092. Based upon the assumptions above, tax rates of \$0.64 and \$0.60 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. See "DEBT SERVICE REQUIREMENTS – TABLE 3" and "TAX DATA - Tax Adequacy for Debt Service."

Dependence Upon the Developer, Lot Owners and Homebuilders: The growth of the tax base is dependent upon additional development of lots in the District and the construction of homes thereon. The Developer is under no obligation to continue to market, or improve, or to develop tracts of land. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment by the Developer. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowner to whom such party may sell all or a portion of its holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances or regulations may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts or failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. See "THE DEVELOPER."

Tax Collections and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. Additionally, the District's tax lien is on a parity with the liens of all other State and local taxing authorities on the property against which the taxes are levied. Registered owners are entitled under State law to a writ of mandamus to compel the District to perform its obligations. Such remedy would have to be exercised upon each separate default and may prove costly, time consuming and difficult to enforce. Furthermore, there is no trust indenture or trustee, and all legal actions would have to be taken on the initiative of, and be financed by, registered owners to enforce such remedies. The rights and remedies of the registered owners and the enforceability of the Bonds may also be limited by bankruptcy, reorganization and other similar laws affecting the enforcement of creditors' rights generally.

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the registered owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Such remedy might need to be enforced on a periodic basis. Based on recent State court decisions, it is unclear whether Section 49.066 of the Texas Water Code effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property or to pay the principal of and interest on the Bonds. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity which permit the exercise of judicial discretion. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interest of the registered owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the registered owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the registered owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District.

Bond Insurance Risks

In the event of default of the payment of principal or interest with respect to the Bonds when all or some become due, any owner of the Bonds shall have a claim under the applicable Municipal Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the Issuer unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer (the "Bond Insurer") without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer's financial strength and claims-paying ability are predicted upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade or such event could adversely affect the market price of the Bonds or the marketability (liquidity) of the Bonds. See description of "MUNICIPAL BOND RATINGS" and "BOND INSURANCE," herein.

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District nor the Initial Purchaser has made independent investigation into the claims-paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or protected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds. And the claims-paying ability of the Bond Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Marketability

The District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price for the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

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Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of registered owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of State law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (i) is specifically authorized to file for federal bankruptcy protection by applicable state law, (ii) is insolvent or unable to meet its debts as they mature, (iii) desires to effect a plan to adjust such debts, and (iv) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under State law a water, sewer, irrigation, and drainage district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under State law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with State law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby involving the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the registered owners could potentially and adversely impair the value of the registered owner's claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a registered owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the registered owner's claim against a district.

The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District

The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA"), enacted on August 9, 1989, contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens, and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties or fines, including those arising from the failure to pay any real or personal property tax when due and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Resolution on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Future Debt

The District has reserved in the Bond Resolution the right to issue the remaining \$33,045,000 authorized but unissued unlimited tax bonds for water, wastewater, and drainage purposes, \$3,975,000 of unlimited tax bonds for parks and recreational facilities and such additional bonds as may hereafter be approved by both the Board and voters of the District. All of the remaining \$33,045,000 and \$3,975,000 of unlimited tax bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board, subject to the approval of the Attorney General of Texas and the TCEQ. In the Comprehensive Development Agreement, the City of Pflugerville has limited the amount of bonds that can be issued by the District to reimburse the Developers to \$25,775,000 (adjusted for inflation). See "THE DISTRICT – Comprehensive Development Agreement." In the opinion of the District's engineer, the \$25,775,000 (adjusted for inflation) in principal amount of bonds authorized to be issued pursuant to the Comprehensive Development Agreement should be sufficient to reimburse the Developers for the development within the District. See "THE SYSTEM."

The Developer has advanced funds to pay for the installation of water, wastewater, and drainage facilities to serve the property within the District. A portion of the proceeds of the Bonds will be used to reimburse the Developer for a portion of the funds it has advanced. After receiving proceeds from the Bonds, the District will no longer owe any remaining costs to the Developer.

Each future issue of bonds is intended to be sold at the earliest practicable date consistent with the maintenance of a reasonable tax rate in the District (assuming projected increases in the value of taxable property made at the time of issuance of the bonds are accurate) see “THE DEVELOPERS – Utility Development Agreement.” The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval by the Commission pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See “THE BONDS – Issuance of Additional Debt.” See “FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized but Unissued.”

Governmental Approval

As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See “USE AND DISTRIBUTION OF BOND PROCEEDS.” The TCEQ approved the issuance of the Bonds by an order signed on December 21, 2020 (the “TCEQ Order”). In addition, the Attorney General of Texas must also approve the legality of the Bonds prior to their delivery.

Neither the TCEQ nor the Attorney General of Texas passes upon or guarantees the security of the Bonds as an investment, nor have the foregoing authorities passed upon the adequacy or accuracy of the information contained in this Official Statement.

No Requirement to Build on Developed Lots

Currently, there is no requirement that builders owning developed lots within the District commence or complete construction of improvements within any particular time period. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable value in the District.

Forward-Looking Statements

The statements contained in this Official Statement and in any other information provided by the District that are not purely historical are forward-looking statements, including statements regarding the District’s expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates, possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions, and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

Environmental Regulation

Wastewater treatment and water supply facilities are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

1. Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
2. Restricting the manner in which wastes are released into the air, water, or soils;
3. Restricting or regulating the use of wetlands or other property;
4. Requiring remedial action to prevent or mitigate pollution;
5. Imposing substantial liabilities for pollution resulting from facility operations.

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Sanctions against a water district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements, and issuance of injunctions as to future compliance of and the ability to operate the District’s water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area’s ability to grow and develop. The following is a discussion of certain environmental concerns that relate to the District. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues. The Federal Clean Air Act (“CAA”) requires the United States Environmental Protection Agency (the “EPA”) to adopt and periodically revise national ambient air quality standards (“NAAQS”) for each air pollutant that may reasonably be anticipated to endanger

public health or welfare. Areas that exceed the NAAQS for a given pollutant can be designated as nonattainment by the EPA. A nonattainment designation then triggers a process by which the affected state must develop and implement a plan to improve air quality and “attain” compliance with the appropriate standard. This so called State Implementation Plan (“SIP”) entails enforceable control measures and time frames.

In 1997, the EPA adopted the “8-hour” ozone standard of 80 parts per billion (“ppb”) (the “1997 Ozone Standard”) to protect public health and welfare. In 2008, the EPA lowered the ozone standard to 75 ppb (the “2008 Ozone Standard”). The Austin Area, consisting of Williamson, Hays, Travis, Bastrop, and Caldwell Counties (the “Austin Area”) was not designated “nonattainment” under the 2008 Ozone Standard.

On October 1, 2015, the EPA lowered the ozone standard to 70 ppb (the “2015 Ozone Standard”). On May 1, 2018, the EPA designated the Austin Area as “attainment” under the 2015 Ozone Standards, which became effective on August 3, 2018.

Should the Austin Area fail to achieve attainment under EPA NAAQS, or should the Austin Area fail to satisfy a then effective SIP (for nonattainment or otherwise), or for any other reason should a lapse in conformity with the CAA occur, the Austin Area may be subjected to sanctions pursuant to the CAA. Under such circumstances, the TCEQ would be required under the CAA to submit to the EPA a new SIP under the CAA for the Austin Area. Due to the complexity of the nonattainment/conformity analysis, the status of the EPA’s implementation of any future EPA NAAQS and the incomplete information surrounding any SIP requirements for areas designated nonattainment under any future EPA NAAQS, the exact nature of sanctions or any potential SIP that may be applicable to the Austin Area in the future is uncertain. The CAA provides for mandatory sanctions, including the suspension of federal highway funding, should the State fail to submit a proper SIP, or associated submissions, or fail to revise or implement a SIP, or fail to comply with an existing SIP. Subject to certain exceptions, if the Austin Area falls out of conformity and the mandatory highway funding sanction is implemented, the United States Secretary of Transportation may be prohibited from approving or awarding transportation projects or grants within the area.

It is possible that nonattainment, a lapse in conformity under the CAA, litigation involving injunctive or other relief, or other environmental issues may impact new industrial, commercial and residential development in the Austin Area.

Water Supply & Discharge Issues. Water supply and discharge regulations that the District may be required to comply with involve: (1) public water supply systems, (2) wastewater discharges from treatment facilities, (3) storm water discharges and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and Environmental Protection Agency’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal became final on December 23, 2019.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain waterfilled depressions and certain pits; (i) certain stormwater control features; (j) certain

groundwater recharge, water reuse, and wastewater recycling structures; and (k) wastewater treatment systems. The NWPR became effective on June 22, 2020, and is currently the subject of ongoing litigation.

Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Clean Water Act. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and currently has issued a general permit for stormwater discharges associated with industrial activities and proposed two general permits for stormwater discharges associated with construction activities and municipal separate stormwater systems. The District may also be required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Drought Conditions

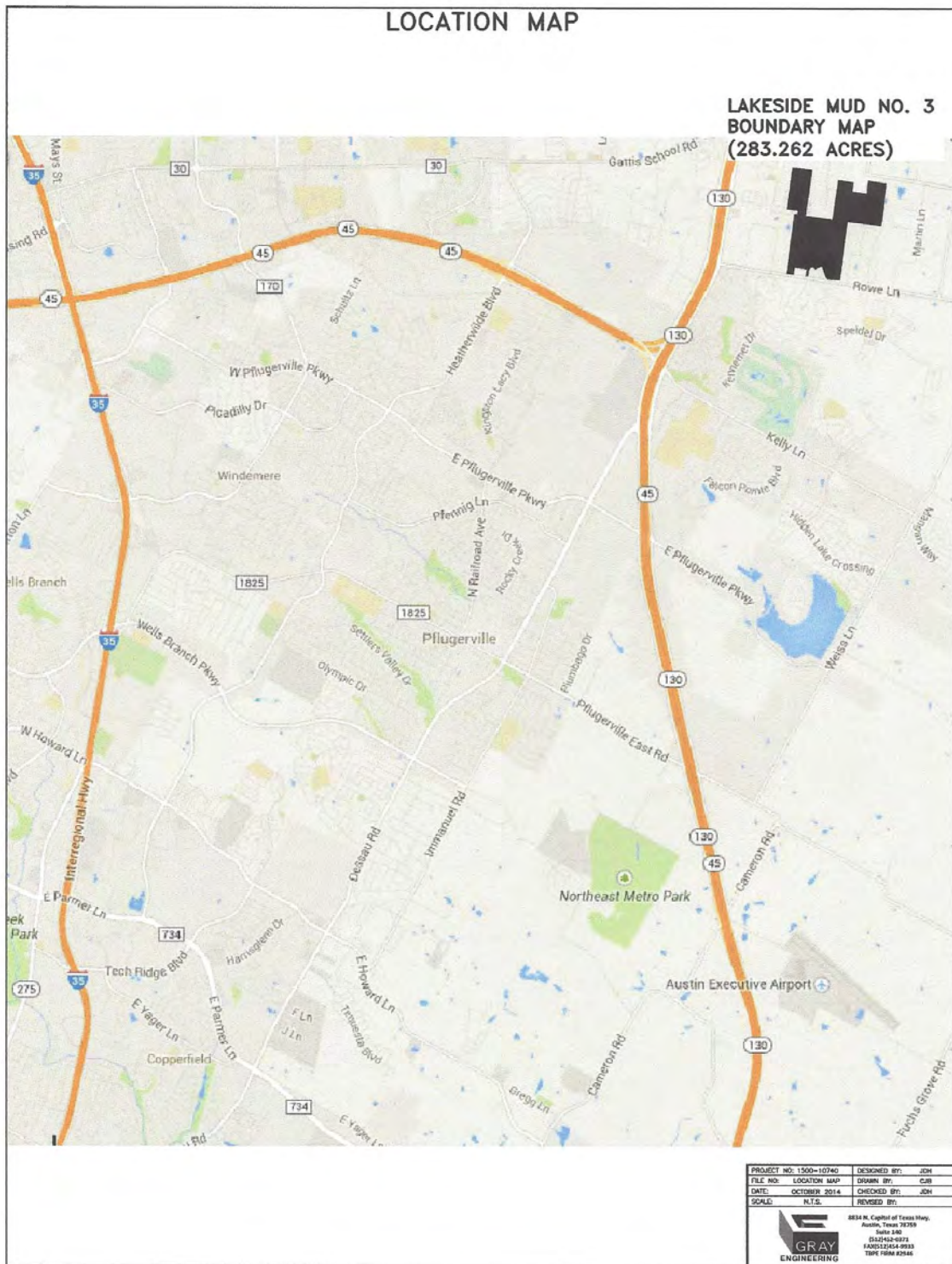
Central Texas, like other areas of the State, is susceptible to drought conditions. The District has adopted a water conservation plan. Manville Water Supply Corporation provides water to the District in amounts sufficient to service the residents of the District, however, if the District experiences drought conditions, the District could implement water restrictions for Residents of the District, and water usage and rates could be impacted.

Storm Water

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Participation-Frequency Atlas of the United States ("Atlas 14"). Flood plain boundaries within the District may be redrawn based on the Atlas 14 study based on higher statistical rainfall amount, resulting in interim flood plain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the flood plain. See "THE SYSTEM – 100-Year-Flood Plain."

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LOCATION MAP



THE DISTRICT

General

The District, a political subdivision of the State of Texas, was created by order of the TCEQ on September 1, 2005, and operates pursuant to Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District was created for the purposes of providing, operating, and maintaining facilities to control storm water, distribute potable water, and to collect and treat wastewater. The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Pursuant to Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Texas Water Code, certain districts, such as the District, may issue bonds subject to voter approval and the TCEQ, payable from ad valorem taxes to pay for the development and maintenance of park and recreational facilities. On November 8, 2005 voters within the District authorized \$55,500,000 in bonds for water, wastewater and drainage facilities and \$3,975,000 in bonds for park and recreational facilities. The District may also establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters of the District and the TCEQ, and is located entirely within the extraterritorial jurisdiction of the City of Pflugerville. Fire services are provided to the District by Travis County Emergency Service District No. 2.

Management of the District

Board of Directors

The District is governed by a Board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors' terms are four years with elections held within the District in November in each even numbered year. All of the directors reside or own property in the District.

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Length of Service</u>
J.D. Scott	President	2022	6 Years
John T. Sutton	Vice President	2024	3 Years
David Cotton	Secretary	2024	6 Years
Laura Olszeski	Treasurer	2022	5 Years
Michael Zeniecki	Assistant Secretary/Treasurer	2022	12 Years

Consultants

Tax Assessor/Collector... Land and improvements in the District located within Travis County are being appraised by the Travis Central Appraisal District ("TCAD") and land and improvements in the District located within Williamson County are being appraised by the Williamson Central Appraisal District ("WCAD"). The Tax Assessor/Collector is appointed by the Board. The Travis County Tax Assessor/Collector, Mr. Bruce Elfant, and the Williamson County Tax Assessor/Collector, Ms. Deborah Hunt, currently serve the District in this capacity under contract.

TCAD has the responsibility for appraising all property located within Travis County, including the portion of the District located in Travis County, and WCAD has the responsibility for appraising all property located within Williamson County, including the portion of the District located in Williamson County. Similarly to the District, for Leander Independent School District and Round Rock Independent School District, each of which overlap the Travis and Williamson County boundaries, TCAD will appraise property located within each school district which is located within Travis County and WCAD will appraise property located within each school district which is located within Williamson County. The chief appraisers who are responsible for appraising the property within each county are required by law, to the greatest extent practicable, to coordinate their appraisals of each portion of the property to ensure to the greatest extent possible that the property as a whole is appraised at its market value; however, protests of values of property must be filed with the county in which the appraised property being protested is located and each county can make its own independent determination.

Bookkeeper... Bott & Douthitt, P.L.L.C. ("B&D") Certified Public Accountants is charged with the responsibility of providing bookkeeping services for the District. B&D serves in a similar capacity for approximately 90 other special districts.

Engineer... The District's consulting engineer is Gray Engineering, Inc. (the "Engineer"). Such firm serves as consulting engineer to 11 other special districts.

Financial Advisor... Public Finance Group LLC serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Bond and Disclosure Counsel... The District has engaged McCall, Parkhurst & Horton L.L.P., Austin, Texas, as Bond and Disclosure Counsel in connection with the issuance of the District's Bonds. The fees of Bond and Disclosure Counsel are contingent upon the sale of and delivery of the Bonds.

General Counsel... The District employs Armbrust & Brown, PLLC ("A&B") as General Counsel. Fees paid to A&B for work related to the issuance of the Bonds are contingent upon the sale of the Bonds.

Location

The District, which encompasses approximately 283 acres of land, is located predominately in northeast Travis County with a small portion located in southeast Williamson County and lies approximately five miles northeast of the downtown area of the City of Pflugerville, Texas. The District is located north and adjacent to Rowe Lane, approximately one mile east of FM 685 North on SH 130, an approximately 49 mile toll road that currently extends from north of Georgetown to the city of Seguin, Texas and Interstate IH-10, and is contained entirely within the extraterritorial jurisdiction of the City of Pflugerville, Texas. See "LOCATION MAP."

Current Status of Development

As of January 5, 2021, the development in the District consists of 940 developed single-family lots, which includes 848 completed homes, 38 homes under construction, and 54 vacant single-family lots. The District also includes an amenity center, totaling 7,500 square feet on 2.26 acres, which includes an adult pool, children's pool, volleyball court, sport court, playground, park, and hike and bike trails.

	Acreage	Single Family			
		Platted Lots	Completed Homes	Homes Under Construction	Vacant Lots
A. Developed with Utility Facilities					
The Commons at Rowe Lane, Phase I ^(a)	40.360	180	180	0	0
The Commons at Rowe Lane, Phase II-A	14.137	46	46	0	0
The Commons at Rowe Lane, Phase II-B	20.445	61	61	0	0
The Commons at Rowe Lane, Phase II-C	9.735	45	45	0	0
The Commons at Rowe Lane, Phase III-A	13.771	50	50	0	0
The Commons at Rowe Lane, Phase III-B	24.502	38	38	0	0
The Commons at Rowe Lane, Phase IV-A	17.419	65	65	0	0
The Commons at Rowe Lane, Phase IV-B	7.890	33	28	0	5
The Commons at Rowe Lane, Phase V-A	14.100	57	57	0	0
The Commons at Rowe Lane, Phase V-B	24.140	101	73	26	2
The Commons at Rowe Lane, Phase VI-A	14.040	55	55	0	0
The Commons at Rowe Lane, Phase VI-B	13.890	56	0	10	46
The Commons at Rowe Lane, Phase VII	21.508	61	61	0	0
The Commons at Rowe Lane, Phase VIII	<u>21.340</u>	<u>92</u>	<u>89</u>	<u>2</u>	<u>1</u>
<i>Total Developed with Utilities</i>	257.28	940	848	38	54
B. Undevelopable Acreage					
Floodplain	<u>26.00</u>				
Total	283.28				

(a) Includes amenity center on approximately 2.26 acres.

Future Development

The District does not contain any remaining undeveloped but developable acres under current land development and water quality regulations. The instigation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party's ability to sell lots and/or other property and of any home builder to sell completed homes as described in this Official Statement under the caption "INVESTMENT CONSIDERATIONS." If the undeveloped portion of the District is eventually developed, additions to the District's water, wastewater, and drainage systems required to service such undeveloped acreage may be financed by future issues, if any, of the District's bonds and developer contributions, if any, as required by the TCEQ. The District's Engineer estimates that the \$25,775,000 in bonds (adjusted for inflation) authorized to be issued pursuant to the Comprehensive Development Agreement with the City of Pflugerville to reimburse the Developer should be sufficient to reimburse the Developer for the existing utility facilities and provide utility service to remaining undeveloped but potentially developable acres within the District. See "THE BONDS – Issuance of Additional Debt." The Developer is under no obligation to complete any development, if begun, and may modify or discontinue development plans in its sole discretion. Accordingly, the District makes no representation that future development will occur.

Annexation of the District

The District lies within the extraterritorial jurisdiction of the City of Pflugerville. See "THE BONDS – Annexation" for a discussion of the ability of the City of Pflugerville to annex the District.

Comprehensive Development Agreement

Pursuant to the Comprehensive Development Agreement among the City of Pflugerville, Texas, Rowe Lane Development, Ltd., H2N Corporation (predecessor in interest to the Developers), Atlan Ernest Pfluger, Jr., Ruby Mae Pfluger and Patricia Pfluger Hoffman, the City of Pflugerville consented to the creation of the District along with one or more other water control and improvement districts (or municipal utility districts). The Comprehensive Development Agreement, as amended by the First Amendment dated March 25, 2005 (collectively, the "Comprehensive Development Agreement"), governs the development, operations, annexation and issuance of bonds by the District. The development within the District is subject to the subdivision code and other ordinances and regulations of the City of Pflugerville that are applicable by virtue of the District being located within the City of Pflugerville's extraterritorial jurisdiction. Pursuant to the Comprehensive Development Agreement, the District is prohibited from providing out-of-district water or wastewater service to any land except certain areas designated for commercial, retail or non-residential use. The Comprehensive Development Agreement is effective from the date of execution (November 22, 2004) for a period of fifty (50) years but terminates at such time as all of the land within the District has been annexed by the City of Pflugerville and the City of Pflugerville has assumed all obligations of the District.

The Comprehensive Development Agreement authorizes the District to issue bonds and notes, including bond anticipation notes or refunding bonds for any purpose not specifically prohibited by law, the Comprehensive Development Agreement or rules and policies of the TCEQ. The total amount of bonds that can be issued by the District and all districts created pursuant to the Comprehensive Development Agreement and the total reimbursement to the Developer is \$25,775,000 (reasonably adjusted for inflation). Reimbursement from the proceeds of bonds issued by the District is allocated sixty-eight percent to the developer(s) and thirty-two percent to Rowe Lane Development, Ltd. pursuant to an Assignment of Reimbursement Rights and Bond Proceeds dated October 18, 2004. The term of any District bonds cannot exceed 25 years unless the City of Pflugerville specifically approves a longer term for a particular bond issue.

Annexation of the District cannot occur prior to the earlier of: (i) 30 years after the date that the District is created or (ii) such time as the District bonds needed to fund all of the water, wastewater and drainage facilities required to serve the District and authorized under the Comprehensive Development Agreement have been issued and 90 percent of the facilities within the District for which District bonds were issued have been installed.

Pursuant to the Comprehensive Development Agreement and a separate professional services agreement, the City of Pflugerville operates, repairs, maintains and manages the facilities and equipment necessary to provide water and wastewater services to the District. The City of Pflugerville also provides billing and collecting services for all water and wastewater fees on behalf of the District. Under the Comprehensive Development Agreement, the water system, the collection system and the North Pflugerville Wastewater Interceptor System will serve not more than 1,100 LUEs or service units within the development, including the District.

THE DEVELOPER

General

In general, the activities of a landowner or developer within a utility district, such as the District, include purchasing land within the future district, petitioning for creation of the district, designing the development, defining a marketing program, planning building schedules, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities) pursuant to the rules of the TCEQ, and selling improved lots or commercial reserves to builders, other developers or third parties. Ordinarily, the developer pays one hundred percent (100%) of the costs of paving and amenity design and construction while the utility district finances the costs of the water supply and distribution, wastewater collection and drainage facilities. While a landowner or developer is required by the TCEQ to pave streets and pay for its allocable portion of the costs of utilities to be financed by the district through a specific bond issue, if any, a developer is generally under no obligation to a district to undertake development activities with respect to other property it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of the developer to perform such activities in development of the property within the utility district may have a profound effect on the security for the bonds issued by a district.

Description of Developer

The Developer currently active within the District is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership (previously defined herein as the "Developer" or "Lennar"). The General Partner of Lennar Homes of Texas Land and Construction, Ltd. is Lennar Texas Holding Company, a Texas corporation which is an affiliate of Lennar Corporation, a publicly-traded company. As a publicly traded company, Lennar Corporation is subject to the information reporting requirements of the Securities and Exchange Act of 1934, as amended, and in accordance therewith, files reports, proxy statements, and other information with the United States Securities and Exchange Commission, which are available at www.sec.gov. Lennar Homes of Texas Land and Construction, Ltd. is currently developing lots and constructing homes thereon in 195 communities in Texas, including the District. See "THE DISTRICT – Historical and Current Status of Development."

Acquisition and Development Financing

On June 28, 2016 and October 12, 2016, the Developer purchased a combined 69.67 acres of the land within the District from Rowe Lane 285, LP ("United Development Funding IV") for cash. Lennar has represented that it intends to use cash from operations to develop the 69.67 acres as a total of 190 lots including: Phase IVB (33 lots on 7.89 acres); Phase VB (101 lots on 24.14 acres); Phase VIB (56 lots on 13.86 acres); and

Phase VIII (92 lots on 21.35 acres). Additionally, Lennar will be the sole homebuilder in the District as shown below (See “Homebuilders within the District”).

The Developer is not responsible for, liable for, and has not made any commitment for payment of the Bonds or other obligations of the District. The Developer has no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the Developer’s financial condition is subject to change at any time.

Financial Information Concerning the Developer

For more information concerning the Developer, see “Description of Developer” above. The Developer is not responsible for, liable for, and has not made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of the Developer’s financial statements and description of its financial arrangements herein should not be construed as an implication to that effect. The Developer has no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the Developer’s financial condition is subject to change at any time. Because of the foregoing, financial information concerning the Developer will neither be updated nor provided following issuance of the Bonds, except as described herein under “CONTINUING DISCLOSURE OF INFORMATION.”

Homebuilders within the District

According to the Developer, Lennar is currently the only active homebuilder within the District. The homes range in price from \$237,900 to \$297,900, with square footage ranging from 1,662 to 3,036.

Home construction in the District began in 2006. The following chart illustrates the number of homes built per year starting in 2006.

Calendar Year	No. of Single-Family Homes Constructed
2006	20
2007	60
2008	49
2009	11
2010	56
2011	70
2012	56
2013	60
2014	50
2015	113
2016	53
2017	47
2018	81
2019	54
2020	77
2021	69*

* As of January 5, 2021; includes 31 completed homes and 38 homes under construction.

Utility Development Agreements

The District has executed two utility construction agreements with the Developer. Such agreements govern the development of water, wastewater and drainage facilities on land within the District and the reimbursement for certain of the costs of such development through the issuance of bonds by the District.

It is anticipated that proceeds of the Bonds will be used to reimburse the Developer for water, wastewater and drainage facilities constructed to serve property within the District and to reimburse the Developer for previously paid water and wastewater impact fees.

Agricultural Waiver

A portion of the undeveloped acreage within the District is subject to an agricultural exemption, however, the Developer has executed an agreement, which is recorded in the real property records of Travis County, and is a covenant running with the land, waiving the right to have the land located within The Commons at Rowe Lane, Phases I, II-A, II-B, II-C, III-A, III-B, IV-A, IV-B, V-A, V-B, VI-A, VI-B, VII, and VIII classified as agricultural, open-space or timberland. In addition, the Developer have waived the right to have the lots and houses (if any) classified as business inventory. Such agreement may not be modified without the approval of the TCEQ and is binding on purchasers of such land from the Developer. See “TAXING PROCEDURES – Property Subject to Taxation by the District.”

THE SYSTEM

Regulation

The water, wastewater and storm drainage facilities (the “System”), the purchase, acquisition and construction of which will be permanently financed by the District with the proceeds of the Bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including, among others, the TCEQ, Travis County, Williamson County and the City of Pflugerville. According to the “Engineer”, the design of all such facilities has been approved by all governmental agencies which have authority over the District.

Operation of the District’s waterworks and wastewater facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ.

Water Supply and Distribution

The District receives its potable water from the Manville Water Supply Corporation (“MWSC”) pursuant to a 50-year wholesale water supply contract dated March 9, 2006 between the District and MWSC, entitled “Wholesale Water Supply Contract” (“MWSC Contract”). The MWSC Contract provides for water in an amount sufficient to serve up to 1,100 living-unit-equivalents (“LUE’s”). According to the MWSC engineer, the MWSC system currently consists of 19 production wells with a combined capacity of 8,500 gallons per minute (“gpm”) sufficient to service 13,000 LUE’s. The current MWSC system capacity is supported by 3,900,000 gallons of total storage, including 1,300,000 gallons elevated storage.

Wastewater Collection and Treatment

The District has executed a wastewater agreement with the City of Pflugerville dated November 22, 2004, and amended March 23, 2005. Pursuant to the agreement, the City of Pflugerville agrees to provide wastewater treatment service to support ultimate buildout of up to 1,100 LUE’s within the District. The District intends to own the collection system within its boundary, with the exception of the gravity trunkline, which is owned by the City of Pflugerville. The City of Pflugerville operates the wastewater collection system within the District’s boundary pursuant to two separate operation agreements.

100-Year Flood Plain

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent (1%) chance of occurring in any given year.

According to the Engineer, approximately 26 acres within the District are currently located in the floodplain as shown in the Federal Emergency Management Agency Flood Insurance Rate Map dated August 18, 2014, for Travis County.

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States (“Atlas 14”) which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast in the east and running west generally along the I-10 corridor to Central Texas. In particular, the study shows that the Central Texas is more likely to experience larger storms than previously thought. Based on this study, various governmental entities, including Travis and Williamson Counties, are contemplating amendments to their regulations that will potentially increase the size of the 100-year flood plain, which interim flood plain is based on the current 500-year flood plain, resulting in the interim flood plain regulations applying to a larger number of properties, and potentially increasing the size of detention ponds and drainage facilities required for future construction in all areas (not just in the flood plain). Flood plain boundaries within the District may be redrawn based on the Atlas 14 study based on the higher statistical rainfall amount, and could mean higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the flood plain.

Water and Wastewater Operations

Rate and Fee Schedule - Table 1

The City of Pflugerville provides the retail billing and collecting for the District. The Board establishes rates and fees for water and sewer service, subject to change from time to time. The following schedule sets forth the monthly rates and fees for the District's water and sewer service which have been in effect since December 13, 2017.

Monthly Base Charge – Water

5/8"	\$16.00
3/4"	16.00
1"	21.00
1-1/2"	33.16
2"	48.30

Monthly Base Charge – Wastewater

Per Connection	\$40.00
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Water Usage Charge

0-7,000 gallons	\$4.15 (per 1,000 gallons)
7,001 – 14,999 gallons	4.35 (per 1,000 gallons)
15,000 to unlimited	5.05 (per 1,000 gallons)

The District also charges the following tap fees and security deposit:

Water

Meter Size

All meters

Administrative and Tap Fee

\$350

Wastewater

Type

Residential

Commercial

Administrative and Tap Fee

\$450

\$1,100

Security Deposit

Meter Size

All meters

Fee

\$125

Drainage Fee:

\$700

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Operating Revenues and Expenses Statement - Table 2

The following statement sets forth in condensed form the historical operations of the District. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary has been prepared from information obtained from the District's financial statements and records. Reference is made to such statements for further and more complete information. Also see "Appendix A – Audited Financial Statements."

	Fiscal Year Ended				
	12/31/2020 ^(a)	9/30/2020 ^(b)	9/30/2019 ^(b)	9/30/2018 ^(b)	9/30/2017 ^(b)
REVENUES					
Property Taxes, including penalties	\$ 801,317	\$ 936,576	\$ 748,746	\$ 755,612	\$ 449,396
Service Account Revenues, including penalties	25,835	96,642	89,992	87,840	76,286
System Connection Fees	42,000	103,600	60,200	60,200	186,200
Interest	1,853	36,053	62,541	32,931	9,817
Miscellaneous	-	-	-	-	-
TOTAL REVENUES	\$ 871,005	\$ 1,172,871	\$ 961,479	\$ 936,583	\$ 721,699
EXPENDITURES					
Director Fees, including payroll taxes	\$ 2,999	\$ 11,788	\$ 11,788	\$ 10,011	\$ 15,017
Legal Fees	16,244	67,309	51,184	57,654	59,750
Engineering Fees	12,594	46,085	71,199	21,213	24,061
Financial Advisor Fees	1,314	1,276	1,013	1,016	634
Accounting Fees	4,200	17,200	17,550	17,550	17,550
Audit Fees	13,500	13,000	13,000	12,500	12,500
Utilities	6,629	26,055	23,192	22,722	21,265
Insurance	1,760	2,461	2,554	2,554	1,730
Landscaping	20,577	97,089	165,010	141,648	165,479
Tax Appraisal/Collection Fees	1,749	4,720	3,871	4,123	2,573
District Special Projects	2,071	-	-	-	-
Other	427	5,772	2,747	3,689	3,402
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	\$ 84,064	\$ 292,755	\$ 363,108	\$ 294,680	\$ 323,961
NET REVENUES (DEFICIT)	\$ 786,940	\$ 880,117	\$ 598,371	\$ 641,903	\$ 397,738
Plus/(Less) Other Financing Sources	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance, beginning of yr.	\$ 3,742,642	\$ 2,862,525	\$ 2,264,154	\$ 1,622,251	\$ 1,224,513
Fund Balance, end of yr.	\$ 4,529,582	\$ 3,742,642	\$ 2,862,525	\$ 2,264,154	\$ 1,622,251

(a) Unaudited as of December 31, 2020. Represents three (3) months of the District's current fiscal year.

(b) Audited.

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DEBT SERVICE REQUIREMENTS - TABLE 3

**Lakeside Municipal Utility District No. 3
\$5,750,000 Unlimited Tax Bonds, Series 2021
Dated Date: April 15, 2021
First Interest Payment Due: September 1, 2021**

Year	Outstanding Bonds				The Bonds				
Ending	Principal	Interest		Total	Principal	Interest		Principal and Interest	
31-Dec	Due (09/01)	Due (03/01)	Due (09/01)		(Due 9/01)	(Due 3/01)	(Due 9/01)		Total
2021	630,000	219,316	219,316	1,068,633	110,000	\$ -	46,807	156,807	1,225,439
2022	660,000	212,188	212,188	1,084,375	260,000	60,850	60,850	381,700	1,466,075
2023	650,000	202,446	202,446	1,054,893	300,000	58,250	58,250	416,500	1,471,393
2024	685,000	192,275	192,275	1,069,550	295,000	55,250	55,250	405,500	1,475,050
2025	725,000	181,063	181,063	1,087,125	290,000	52,300	52,300	394,600	1,481,725
2026	760,000	169,394	169,394	1,098,788	290,000	47,950	47,950	385,900	1,484,688
2027	775,000	157,025	157,025	1,089,050	310,000	43,600	43,600	397,200	1,486,250
2028	790,000	144,075	144,075	1,078,150	335,000	38,950	38,950	412,900	1,491,050
2029	830,000	131,188	131,188	1,092,375	335,000	35,600	35,600	406,200	1,498,575
2030	875,000	117,375	117,375	1,109,750	330,000	32,250	32,250	394,500	1,504,250
2031	910,000	102,475	102,475	1,114,950	340,000	28,950	28,950	397,900	1,512,850
2032	905,000	87,031	87,031	1,079,063	385,000	25,550	25,550	436,100	1,515,163
2033	935,000	72,606	72,606	1,080,213	405,000	21,700	21,700	448,400	1,528,613
2034	1,000,000	60,081	60,081	1,120,163	380,000	17,650	17,650	415,300	1,535,463
2035	1,025,000	48,409	48,409	1,121,819	405,000	13,850	13,850	432,700	1,554,519
2036	1,030,000	32,988	32,988	1,095,975	450,000	9,800	9,800	469,600	1,565,575
2037	1,000,000	16,250	16,250	1,032,500	530,000	5,300	5,300	540,600	1,573,100
	14,185,000	2,146,184	2,146,184	18,477,369	5,750,000	547,800	594,607	6,892,407	25,369,776

FINANCIAL STATEMENT
(Unaudited)

Assessed Value - Table 4

2020 Certified Assessed Valuation	\$227,437,044 ^(a)
Estimated Assessed Valuation as of January 5, 2021	261,310,092 ^(b)
Gross Debt Outstanding (after issuance of the Bonds)	\$ 19,935,000 ^(c)
Ratio of Gross Debt to 2020 Certified Assessed Valuation ^(a)	8.77%
Ratio of Gross Debt to Estimated Assessed Valuation as of January 5, 2021 ^(b)	7.63%
2020 Tax Rate	
Debt Service	\$ 0.4137
Maintenance	<u>0.4263</u>
Total 2020 Tax Rate	<u><u>\$ 0.8400</u></u> ^(d)
Debt Service Fund Balance (as of March 10, 2021)	\$ 1,204,452 ^(e)
Estimated Population as of January 5, 2021	2,544 ^(f)

Area of District: 283.26 acres

- (a) Assessed valuation of the District as of January 1, 2020, as certified by the Williamson Central Appraisal District ("WCAD") and the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."
- (b) Estimated assessed valuation of the District as of January 5, 2021, as provided by the Williamson Central Appraisal District ("WCAD") and the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."
- (c) Includes the Bonds.
- (d) The District levied a 2020 tax rate of \$0.8400 at its meeting in September 2020.
- (e) Unaudited as of March 10, 2021. Does not include approximately twelve (12) months' capitalized interest (\$111,572) included in the Bond proceeds, to be deposited into the Debt Service Fund upon closing. Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the debt service fund.
- (f) Based upon 3.0 residents per occupied single-family home.

Unlimited Tax Bonds Authorized but Unissued - Table 5

Date of Authorization	Purpose	Amount Authorized	Issued to Date	Authorized But Unissued
11/8/2005	Water, Sanitary Sewer & Drainage	\$ 55,500,000	\$ 19,935,000 ^(a)	\$ 35,565,000
11/8/2005	Refunding	59,475,000	627,998	58,847,002
11/8/2005	Park & Recreational Facilities	<u>\$ 3,975,000</u>	<u>\$ -</u>	<u>3,975,000</u>
	Total	<u><u>\$ 114,975,000</u></u>	<u><u>\$ 20,562,998</u></u>	<u><u>\$ 94,412,002</u></u>

- (a) Includes the Bonds.

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Outstanding Bonds - Table 6

Dated Date	Purpose	Original Series	Original Principal Amount	Principal Amount Outstanding after the Issuance of the Bonds
A. New Money Bonds				
09/01/08	Water, Sanitary Sewer & Drainage	2008	\$ 1,675,000	\$ -
03/01/10	Water, Sanitary Sewer & Drainage	2010	1,325,000	-
09/01/12	Water, Sanitary Sewer & Drainage	2012	1,725,000	240,000
12/01/13	Water, Sanitary Sewer & Drainage	2013A	2,250,000	200,000
12/01/14	Water, Sanitary Sewer & Drainage	2014	2,000,000	75,000
07/14/16	Water, Sanitary Sewer & Drainage	2016	4,000,000	3,675,000
01/11/18	Water, Sanitary Sewer & Drainage	2018	3,730,000	3,430,000
04/15/21	Water, Sanitary Sewer & Drainage	2021	5,750,000	5,750,000 ^(a)
Subtotal			\$ 22,455,000	\$ 13,370,000
B. Refunding Bonds				
04/01/13	Refunding	2013	2,745,000	505,000
07/23/19	Refunding	2019	4,060,000	4,060,000
10/06/20	Refunding	2020	2,000,000	2,000,000
Subtotal			\$ 8,805,000	\$ 6,565,000
Total			\$ 31,260,000	\$ 19,935,000

(a) The Bonds.

Cash and Investment Balances - Table 7^(a)

General Fund	\$ 4,422,530
Debt Service Fund	1,294,632 ^(b)
Capital Projects Fund	649,548

(a) Unaudited as of March 10, 2021. Includes cash and investments.

(b) Does not include approximately twelve (12) months' capitalized interest (\$186,875) included in the Bond proceeds, to be deposited into the Debt Service Fund upon closing. Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the debt service fund.

Investment Authority and Investment Practices of the District

Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or by explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; or (ii) that are invested by the District through a depository institution that has its main office or a branch office in the State of Texas and otherwise meets the requirements of the PFIA; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a

financial institution doing business in the State of Texas; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that complies with Securities and Exchange Commission Rule 2a-7; (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations described in the this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (14) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than "AAA", "AAA-m" or at an equivalent rating by at least one nationally recognized rating service. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund, groups methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board of Directors detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board of Directors.

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds

and reserves and other funds held for debt service and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

Current Investments - Table 8

The District, as of March 10, 2021, was invested in TexPool, as shown below. This investment portfolio is generally representative of the District's investment practices. GASB Statement No. 3 requires the District to assign risk categories for its investment, except those in which securities are not used as evidence of the investment. TexPool is a public funds investment pool. TexPool has not been assigned a risk category since the District has not issued securities, but rather it owns an undivided beneficial interest in the assets of TexPool. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements.

Investment Value as of February 10, 2021	
Cash	\$ 67,438
TexPool	2,270,770
L.O.G.I.C.	4,028,503
Total Investments	\$ 6,366,711

Estimated Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from several sources, including information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. Political subdivision overlapping the District are authorized by State law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes of debt service and the tax burden for operation, maintenance and/or general purposes is not included in these figures.

Taxing Body	Gross Debt		% of Overlapping Debt	Amount of Overlapping Debt
	Amount	As of		
Williamson County	963,095,000	2/28/2021	0.010%	\$ 96,310
Travis County	1,081,470,000	2/28/2021	0.080%	865,176
Travis County Healthcare District	7,285,000	2/28/2021	0.080%	5,828
Pflugerville Independent School District	599,080,000	2/28/2021	1.400%	8,387,120
TOTAL ESTIMATED OVERLAPPING NET DEBT				\$ 9,354,434
The District ^(a)	\$ 19,935,000	4/15/2021	100.00%	19,935,000
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT				\$ 29,289,434
Ratio of Estimated and Overlapping Debt to 2020 Certified Assessed Valuation				12.88%
Ratio of Estimated and Overlapping Debt to Estimated Assessed Valuation as of January 5, 2021				11.21%

(a) Includes the Bonds.

Overlapping Taxes for 2020

Overlapping Entity	2020 Tax Rate Per			
	\$100 Assessed Valuation		Average Tax Bill ^(a)	
	Travis County	Williamson County	Travis County	Williamson County
Williamson County	\$0.000000	\$0.458719	\$ -	\$ 1,359
Travis County	0.3692930	0.000000	1,094	-
Travis County Healthcare District	0.1103060	0.000000	327	-
Pflugerville Independent School District	1.422300	1.422300	4,213	4,213
The District	0.840000	0.840000	2,488	2,488
Total	<u>\$2.741899</u>	<u>\$2.721019</u>	<u>\$ 8,123</u>	<u>\$ 8,061</u>

(a) Based upon the 2020 average single-family home value of \$296,243 as provided by TCAD and WCAD.

TAX DATA

Classification of Assessed Valuation - Table 9

Type Property	2020 ^(a)		2019 ^(a)		2018 ^(a)	
	Amount	%	Amount	%	Amount	%
Single Family Residence	\$ 224,494,087	98.24%	\$ 221,181,579	96.79%	\$ 203,922,629	93.52%
Vacant Lot	1,723	0.00%	803	0.00%	348	0.00%
Qualified Ag Land	-	0.00%	902,397	0.39%	902,397	0.41%
Non-Qualified Ag Land	-	0.00%	595,111	0.26%	595,111	0.27%
Commercial Personal Property	418,949	0.18%	552,175	0.24%	567,251	0.26%
Residential Inventory	12,065,467	5.28%	862,227	0.38%	7,084,636	3.25%
Totally Exempt Property	735,222	0.32%	735,440	0.32%	735,003	0.34%
Plus/(Minus) Adjustments	(9,192,797)	-4.02%	(6,781,630)	-2.97%	(6,026,247)	-2.76%
Total	<u>\$ 228,522,651</u>	<u>100.00%</u>	<u>\$ 218,048,102</u>	<u>95.42%</u>	<u>\$ 207,781,128</u>	<u>95.29%</u>

(a) Assessed Valuation reflects the adjusted value at September 30th of each representative year as included in the audited financial statement.

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Tax Collections - Table 10

The following statement of tax collections reflects the historical tax collection experience of the District. Such summary has been prepared for inclusion herein based upon information from District audits and records of the District Tax Assessor/Collector. Reference is made to such audits and records for further and more complete information. See "Classification of Assessed Valuation" above.

Year	Assessed Valuation ^(a)	Tax Rate	Tax Levy	Current		Total		Year Ending
				Amount	%	Amount	%	
2006	\$ 448,101	0.9000	4,033	4,033	100.00%	4,033	100.00%	09/30/07 ^(b)
2007	6,981,856	0.9000	64,924	64,924	100.00%	64,924	100.00%	09/30/08 ^(b)
2008	19,537,756	0.9000	172,403	170,320	98.79%	170,320	98.79%	09/30/09 ^(b)
2009	30,763,508	0.9000	276,256	270,456	97.90%	272,539	98.65%	09/30/10 ^(b)
2010	32,969,132	0.9000	296,722	296,722	100.00%	302,522	101.95%	09/30/11 ^(b)
2011	38,813,777	0.9000	349,371	343,023	98.18%	343,023	98.18%	09/30/12 ^(b)
2012	55,283,266	0.9000	499,583	499,583	100.00%	505,931	101.27%	09/30/13 ^(b)
2013	68,439,094	0.9000	614,660	614,660	100.00%	614,660	100.00%	09/30/14 ^(b)
2014	92,813,942	0.8775	814,462	814,462	100.00%	825,367	101.34%	09/30/15 ^(b)
2015	118,618,275	0.8470	1,004,697	1,004,697	100.00%	1,004,697	100.00%	09/30/16 ^(b)
2016	154,037,014	0.8400	1,293,911	1,293,911	100.00%	1,293,911	100.00%	09/30/17 ^(b)
2017	180,116,054	0.8400	1,512,975	1,511,462	99.90%	1,511,462	99.90%	09/30/18 ^(b)
2018	207,781,128	0.8400	1,745,361	1,745,361	100.00%	1,745,361	100.00%	09/30/19 ^(b)
2019	218,048,012	0.8400	1,831,604	1,827,941	99.80%	1,827,941	99.80%	09/30/20 ^(b)
2020	227,437,044	0.8400	1,910,471	1,829,305	95.75%	1,830,255	95.80%	09/30/21 ^(c)

(a) Assessed Valuation reflects the adjusted value at September 30th of each respective year as included in the audited financial statement

(b) Audited.

(c) Unaudited as of February 28, 2021. Taxes were due with no penalty by January 31, 2021.

District Tax Rates - Table 11

	Tax Rates per \$100 Assessed Valuation				
	2020	2019	2018	2017	2016
Debt Service	\$ 0.4137	\$ 0.4185	\$ 0.4793	\$ 0.4195	\$ 0.5490
Maintenance	0.4263	0.4215	0.3607	0.4205	0.2910
Total	\$ 0.8400	\$ 0.8400	\$ 0.8400	\$ 0.8400	\$ 0.8400

Tax Rate Limitation

The District's tax rate for debt service on the Bonds is legally unlimited as to rate or amount.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. At an election held on November 8, 2005, voters within the District authorized a maintenance tax not to exceed \$1.40/\$100 assessed valuation. As shown above under "District Tax Rates," the District levied a 2020 maintenance and operation tax of \$0.4263/\$100 assessed valuation. See "THE DISTRICT – General."

Principal Taxpayers - Table 12

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based on the 2020, 2019 and 2018 tax rolls of the District, which reflect ownership as of January 1, of each year shown.

Taxpayer	Type of Property	2020^(a)	2019^(a)	2018^(a)
Lennar Homes of Texas ^(b/c)	Land and Improvements	\$ 6,116,592	\$ 595,111	\$ 2,609,245
Individual Homeowner	Land and Improvements	420,437	408,829	411,693
Individual Homeowner	Land and Improvements	386,995	386,995	404,693
Individual Homeowner	Land and Improvements	384,400	384,400	398,049
Individual Homeowner	Land and Improvements	382,104	382,104	393,139
Individual Homeowner	Land and Improvements	381,447	381,447	392,665
Individual Homeowner	Land and Improvements	380,923	380,923	392,126
Individual Homeowner	Land and Improvements	380,006	380,006	391,290
Individual Homeowner	Land and Improvements	379,991	379,991	390,865
Individual Homeowner	Land and Improvements	(d)	379,893	(d)
Gehan Homes Ltd.	Land and Improvements	(d)	(d)	(d)
Total		<u>\$ 9,212,895</u>	<u>\$ 4,059,699</u>	<u>\$ 5,783,765</u>
Percent of Certified Assessed Valuation		4.05%	1.86%	2.78%

(a) Assessed Valuation reflects the adjusted value at September 30th of each respective year included in the audited financial statements.

(b) The Developer. The Developer is also concentrated in the homebuilding industry. See "THE DEVELOPER - Homebuilder within the District" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments - Dependence Upon the Developer, Lot Owners, and Builders."

(c) The designated taxpayers is concentrated in the homebuilding industry. See "THE DEVELOPER - Homebuilders within the District" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments - Dependence Upon the Developer, Lot Owners, and Builders."

(d) Not a principal taxpayer in the respective year.

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Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2020 Certified Assessed Valuation, the Estimated Assessed Valuation as of January 5, 2021, and utilize tax rates adequate to service the District's total debt service requirements, including the Bonds. No available debt service funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments - *Impact on District Tax Rates.*"

Average Requirement on the Bonds (2021 through 2037)	\$1,485,869
\$0.69 Tax Rate on 2020 Certified Assessed Valuation of \$227,437,044 @ 95% collections produces	\$1,490,850
\$0.60 Tax Rate on the Estimated Assessed Valuation as of January 5, 2021 of \$261,310,092 @ 95% collections produces	\$1,489,468
Maximum Requirement on the Bonds (2022)	\$1,573,100
\$0.73 Tax Rate on 2020 Certified Assessed Valuation of \$227,437,0 @ 95% collections produces	\$1,577,276
\$0.64 Tax Rate on the Estimated Assessed Valuation as of January 5, 2021 of \$261,310,092 @ 95% collections produces	\$1,588,765

Debt Service Fund Management Index

Debt Service Requirements for year ending 12/31/21	\$1,225,439 ^(a)
Audited Debt Service Fund Balance as of 9/30/2020	509,560 ^(b)
Capitalized Interest included in Bond proceeds	111,572 ^(c)
2020 Tax Levy @ 95% collections produces	<u>893,862 ^(d)</u>
Total Available for Debt Service	<u>\$1,514,994</u>
Projected Debt Service Fund Balance as of September 30, 2021	\$289,555

(a) Interest requirements on the Bonds begin September 1, 2021.

(b) Audited as of September 30, 2020. Represents debt service fund balance after all 2020 debt service requirements have been paid.

(c) Represents approximately twelve (12) months of capitalized interest (\$111,572) included in the Bond proceeds, to be deposited into the Debt Service Fund upon closing.

(d) The District levied a 2020 debt service tax rate of \$0.4137.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Outstanding Bonds, the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS - Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year-to-year as described more fully herein under "THE BONDS - Source of and Security for Payment." Under State law, the Board is also authorized to levy and collect an ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations, if authorized by its voters. See "TAX DATA - Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district with the responsibility for recording and appraising property for all taxing units within the county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Williamson Central Appraisal District (the "WCAD") has the responsibility for appraising property for all taxing units within Williamson County, including the portion of the District within Williamson County. The Travis Central Appraisal District (the "TCAD") has the responsibility for appraising property for all taxing units within Travis County, including the portion District within Travis County. Such appraisal values are subject to review and change by the Travis Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax roll and tax rate.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by State law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the Appraisal District to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include: property owned by the State or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; income producing tangible personal property or mineral interest with a taxable value of less than \$500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain non-profit cemeteries, farm products owned by the producer; and certain property owned by qualified charitable, religious, veterans, youth, or fraternal organizations. Goods, wares, ores and merchandise (other than oil, gas, or petroleum products) that are acquired in or imported into the state and forwarded out of state within 175 days thereafter are also exempt. Property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty is partially exempt to between \$5,000 and \$12,000 of assessed value depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation on the same or subsequently qualified homestead of the total appraised value of the same property to which the disabled veteran's exemption applied. The surviving spouse of a member of the armed services who was killed in action is entitled to an exemption from taxation of the total appraised value of the surviving spouse's residence homestead where certain conditions are met and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. Furthermore, qualifying surviving spouses of a person sixty-five (65) years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Also partially exempt, if approved by the Board or at an election called by the Board upon petition of at least 20% of the qualified voters who voted in the District's preceding election, are residence homesteads of certain persons who are disabled or at least sixty-five (65) years old, not less than \$3,000 of appraised value or such higher amount as the Board or District's voters may approve. Furthermore, the surviving spouse of a person sixty-five (65) years old or older is entitled to an exemption for the same property in an amount equal to that which the deceased spouse was qualified, subject to certain conditions. The District's tax assessor/collectors are authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never adopted a general homestead exemption.

Tax Abatement: Travis County or Williamson County and the District may enter into tax abatement agreements with owners of real property within such zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction for a period of up to ten years, all or any part of the increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. To date, the District has not executed any abatement agreements.

Goods-in-Transit: Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into the State and transported to another location in the State or outside the State within 175 days of the date the property was acquired or imported into the State. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provisions permit local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freepoint exemptions or the goods-in-transit exemptions for items of personal property. The District has not taken action to tax goods-in-transit.

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code provides for temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the WCAD and the TCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and formally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price that such property would bring if sold as a unit to a purchaser who would continue the business. Developers wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires the WCAD and TCAD to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in the WCAD and the TCAD at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the WCAD and the TCAD or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense, has the right to obtain from the appraisal district a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the WCAD and the TCAD choose formally to include such values on its respective appraisal roll.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District), may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury, if requested by any party. Additionally, taxing units may bring suit against the WCAD or TCAD to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer the collection functions to another governmental entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1 or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount off the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it became delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, sixty (60) days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected by taxing units. The District's tax collectors are required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding twenty-four (24) months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least twelve (12) months and no more than thirty-six (36) months. Additionally, the owner of a residence homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran is entitled by law to pay current taxes on a residence homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the

district are classified as “Developed Districts.” Districts that do not meet either of the classifications previously discussed are classified herein as “Developing Districts.” The impact each classification has on the ability of a district to increase its operation and maintenance tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units: Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year’s debt service and contract tax rate plus 1.08 times the previous year’s operation and maintenance tax rate.

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year’s debt service and contract tax rate plus 1.035 times the previous year’s operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or the President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts: Districts that do not meet the classification of a Special Taxing Unit or a Developed District are classified as Developing Districts. The qualified voters of these districts, upon the Developing District’s adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If a rollback election is called and passes, the total tax rate for Developing Districts is the current year’s debt service and contract tax rate plus 1.08 times the previous year’s operation and maintenance tax rate.

The District: A determination as to a district’s status as a Special Taxing Unit, Developed District, or Developing District will be made by the Board of Directors on an annual basis. With respect to the District’s 2020 tax rate, the District has been determined to be a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District’s future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights In The Event Of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the District, having power to tax the property. The District’s tax lien is on a parity with tax liens of such other taxing units. See “FINANCIAL STATEMENT - Overlapping Taxes for 2020”. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two years after the purchaser’s deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See “INVESTMENT CONSIDERATIONS - Tax Collections and Foreclosure Remedies.”

Effect of FIRREA on Tax Collections

The “Financial Institutions Reform, Recovery and Enforcement Act of 1989” (“FIRREA”) contains provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation (“FDIC”) when the FDIC is acting as the conservator or receiver of an insolvent financial institution. See “INVESTMENT CONSIDERATIONS - The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District.”

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of McCall, Parkhurst & Horton L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described below under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

No-Litigation Certificate

The District will furnish to the Initial Purchaser a certificate, dated as of the Date of Delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Official Statement.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX B - Form of Bond Counsel Opinion."

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Master District with respect to the Bonds or the property financed with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification, retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations. **INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.**

Interest on the Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by Section 55 of the Code.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds,

one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Tax Accounting Treatment of Original Issue Discount Bonds

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal or maturity amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the “Original Issue Discount Bond”). the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. The “stated redemption price at maturity” means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See “Tax Exemption” herein for a discussion of certain collateral federal tax consequences.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to: (a) the sum of the issue price and amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a “financial institution” allocable to tax-exempt obligations, other than “private activity bonds,” that are designated by a “qualified small issuer” as “qualified tax-exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any “on-behalf of” and “subordinate” issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term “financial institution” as any “bank” described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a “bank,” as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty-percent (20%) as a “financial institution preference item.”

The District has designated the Bonds as “qualified tax-exempt obligations” within the meaning of section 265(b) of the Code. In furtherance of that designation, the District has covenanted to take such action that would assure, or to refrain from such action that would adversely

affect, the treatment of the Bonds as “qualified tax-exempt obligations.” **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be “qualified tax-exempt obligations.”**

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (“MSRB”). Information will be available free of charge by the MSRB via the Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables 1 through 12 and in Appendix A. The District will update and provide this updated information to the MSRB within six months after the end of each fiscal year.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements, if it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements and provide audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 of each year unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of the event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation (as defined by the Rule which includes debt, debt-like, and debt-related obligations) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. Neither the Bonds or the Bond Order may any provision for debt service reserve or a trustee.

For these purposes, any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer of the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the District in possession but subject to the supervision and orders of a court of governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. For the purposes of the events described in clauses (15) and (16) above, the term “financial obligation” is defined in the Bond Order to mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “ – Annual Reports.” The District will provide each notice described in this “ – Event Notices” caption to the MSRB in an electronic format and accompanied by identifying information as provided by the MSRB.

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. All documents provided by the District to the MSRB described above under “Annual Reports” and “Notice of Certain Events” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although registered owners may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (i) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (ii) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter or purchaser from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

The District is in compliance with all material provisions of its continuing disclosure undertaking in accordance with the Rule.

FINANCIAL ADVISOR

The Official Statement was compiled and edited under the supervision of Public Finance Group LLC (the “Financial Advisor”), which firm was employed in 2014 as Financial Advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

OFFICIAL STATEMENT

Preparation

The District has no employees but engages various professionals and consultants to assist the District in the day-to-day activities of the District. See “THE DISTRICT.” The Board in its official capacity has relied upon the below mentioned experts and sources in preparation of this Official Statement. The information in this Official Statement was compiled and edited by the Financial Advisor. In addition to compiling and editing such information, the Financial Advisor has obtained the information set forth herein under the captions indicated from the following sources:

THE DISTRICT – Gray Engineering, Inc., (“Engineer”), Pflugerville Independent School District, various area commercial and retail establishments and the Developers; “THE DEVELOPERS” – The Commons at Rowe Lane, L.P. (the “Developers”); “THE SYSTEM” – Engineer; “UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED” – Records of the District (“Records”), “FINANCIAL STATEMENT” – Travis County Appraisal District, Williamson Central Appraisal District; “ESTIMATED OVERLAPPING DEBT STATEMENT” – Municipal Advisory Council of Texas and Financial Advisor; “TAX DATA” and “WATER AND SEWER OPERATIONS” – Audits, Records and Tax Assessor/Collector; “MANAGEMENT” – District Directors; “DEBT SERVICE REQUIREMENTS – TABLE 3” – Financial Advisor; “THE BONDS,” “LEGAL MATTERS”, “TAXING PROCEDURES,” “CONTINUING DISCLOSURE OF INFORMATION” (except in the subheading “Compliance with Prior Undertakings”) - Freeman & Corbett; “TAX MATTERS” - McCall, Parkhurst & Horton L.L.P.

Consultants

In approving this Official Statement, the District has relied upon the following consultants:

The Engineer: The information contained in the Official Statement relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM," has been provided by Gray Engineering, Inc., and has been included in reliance upon the authority of said firm in the field of civil engineering.

Appraisal District: The information contained in this Official Statement relating to the certified assessed valuation of property in the District and, in particular, such information contained in the section captioned "FINANCIAL STATEMENT," has been provided by the Travis Central Appraisal District and the Williamson Central Appraisal District, in reliance upon their authority in the field of appraising and tax assessing.

Auditor: The District's financial statements are audited by Maxwell, Locke & Ritter, L.L.P., Certified Public Accountants, and excerpts of the District's Audited Financial Statements as of September 30, 2020, have been included as Appendix A in reliance upon such firm's authority in the field of accounting.

Updating the Official Statement During Underwriting Period

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described below. See "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS - Delivery." The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

Certification as to Official Statement

The District, acting by and through its Board in its official capacity in reliance upon the experts and sources listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. All changes in the affairs of the District and other matters described in the Official Statement subsequent to the delivery of the Bonds and all information with respect to the resale of the Bonds are the responsibility of the Initial Purchaser.

Annual Audits

Under State Law, the District must keep its fiscal records in accordance with generally accepted accounting principles. It must also have its financial accounts and records audited by a certified or permitted public accountant within 120 days after the close of each fiscal year of the District, and must file each audit report with the TCEQ within 135 days after the close of the fiscal year once the District has issued bonds or has assets or receipts in excess of \$100,000. Prior to selling bonds or having assets over \$100,000, the District is allowed under State law to file a financial report in lieu of an audit. Copies of each audit report must also be filed in the office of the District. The District's fiscal records and audit reports are available for public inspection during regular business hours, and the District is required by law to provide a copy of the District's audit reports to any registered owner or other member of the public within a reasonable time on request, upon payment of prescribed charges.

This Official Statement was approved by the Board, as of the date shown on the first page hereof.

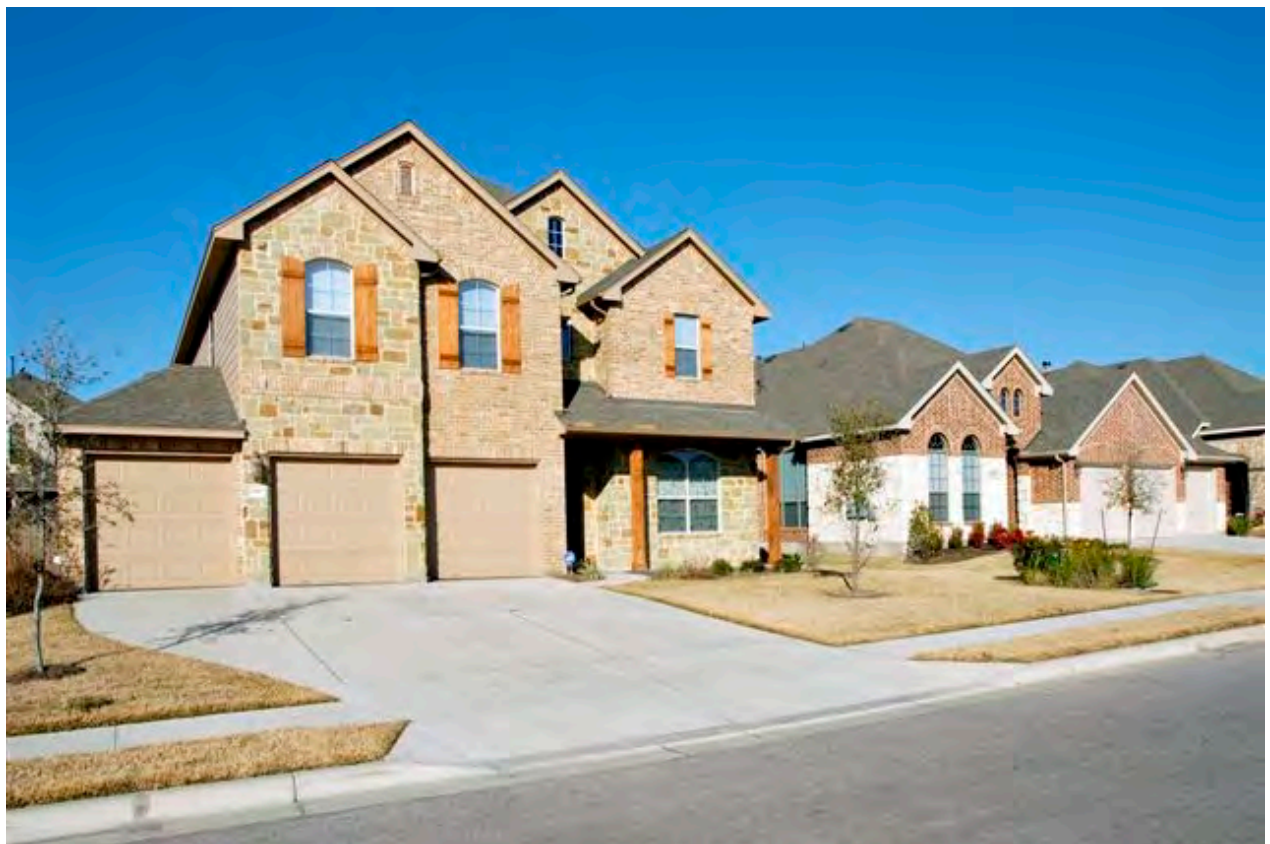
/s/ J.D. Scott
President, Board of Directors

/s/ David Cotton
Secretary, Board of Directors

PHOTOGRAPHS

The following photographs were taken in the District. The homes shown in the photographs are representative of the type of construction presently located within the District, and these photographs are presented solely to illustrate such construction. The District makes no representation that any additional construction such as that as illustrated in the following photographs will occur in the District. See "THE DISTRICT."

















APPENDIX A

The information contained in this appendix has been excerpted from the audited financial statement of Lakeside Municipal Utility District No. 3 for the fiscal year ended September 30, 2020. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

**Lakeside
Municipal Utility District
No. 3**

**Financial Statements and
Supplemental Information
as of and for the Year Ended
September 30, 2020 and
Independent Auditors' Report**



**LAKESIDE
MUNICIPAL UTILITY DISTRICT NO. 3**

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ANNUAL FILING AFFIDAVIT

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS

COUNTY OF TRAVIS

I, _____ of the
(Name of Duly Authorized District Representative)

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the **13th day of January, 2021**, its annual audit report for the fiscal year ended **September 30, 2020** and that copies of the annual audit report have been filed in the District's office, located at:

100 Congress Avenue, Suite 1300
Austin, TX 78701
(Address of District's Office)

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of the Texas Water Code Section 49.194.

Date: _____, _____ By: _____
(Signature of District Representative)

(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this _____ day of _____, _____.

(SEAL)

(Signature of Notary)

(Printed Name of Notary)

My Commission Expires On: _____, _____.
Notary Public in the State of Texas

INDEPENDENT AUDITORS' REPORT



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

tel (512) 370 3200 fax (512) 370 3250

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

Independent Auditors' Report

To the Board of Directors of
Lakeside Municipal Utility District No. 3:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Lakeside Municipal Utility District No. 3 (the "District"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages MDA-1 through MDA-7 and FS-19, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas supplemental information and other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Texas supplemental information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas supplemental information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplemental information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Maxwell Locke & Ritter LLP

Austin, Texas
January 13, 2021

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3 MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2020

In accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 34, the management of Lakeside Municipal Utility District No. 3 (the “District”) offers the following discussion and analysis to provide an overview of the District’s financial activities for the year ended September 30, 2020. Since this information is designed to focus on the current year’s activities, resulting changes, and currently known facts, it should be read in conjunction with the District’s basic financial statements that follow.

FINANCIAL HIGHLIGHTS

- *General Fund:* At the end of the current fiscal year, the nonspendable and unassigned fund balance was \$3,742,641, an increase of \$880,116 from the previous fiscal year. General Fund revenues increased from \$961,479 in the previous fiscal year to \$1,172,871 in the current fiscal year due to an increase in the District’s assessed valuation.
- *Debt Service Fund:* Fund balance restricted for debt service decreased from \$663,358 at the end of the previous fiscal year to \$509,560 at the end of the current fiscal year. Debt Service Fund revenues decreased from \$1,026,420 in the previous fiscal year to \$940,056 in the current fiscal year due to a decrease in the tax rate allocated to the Debt Service Fund.
- *Capital Projects Fund:* Fund balance restricted for capital projects increased from \$643,496 at the end of the previous fiscal year to \$649,358 at the end of the current fiscal year.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had revenues net of expenses of \$1,080,743 during the current fiscal year. Net position increased from \$1,032,394 at September 30, 2019 to \$2,113,137 at September 30, 2020.

OVERVIEW OF THE DISTRICT

The District, a political subdivision of the State of Texas, was created by order of the Texas Commission on Environmental Quality on September 1, 2005. The District was created to provide water, wastewater, and storm drainage facilities to the land within its boundaries and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District is located entirely within the extraterritorial jurisdiction of the City of Pflugerville and wholly within the boundaries of Travis County, Texas and Williamson County, Texas. The District is situated approximately 5 miles northeast of the central business district of the City of Pflugerville.

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3 MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2020

USING THIS ANNUAL REPORT

This annual report consists of six parts:

1. *Management's Discussion and Analysis* (this section)
2. *Basic Financial Statements*
3. *Notes to the Basic Financial Statements*
4. *Required Supplementary Information*
5. *Texas Supplemental Information* (required by the Texas Commission on Environmental Quality (the TSI section))
6. *Other Supplemental Information* (the OSI section)

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "Governmental Funds Total" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The *Statement of Net Position and Governmental Funds Balance Sheet* includes a column (titled "Governmental Funds Total") that represents a balance sheet prepared using the modified accrual basis of accounting. This method measures cash and all other financial assets that can be readily converted to cash. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District's net position will indicate financial health.

The *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances* includes a column (titled "Governmental Funds Total") that derives the change in fund balances resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

The *Notes to the Basic Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*.

The *Required Supplementary Information* presents a comparison statement between the District's adopted budget and its actual results.

**LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

Summary Statement of Net Position

	Governmental Activities		Change Increase
	2020	2019	(Decrease)
Current and other assets	\$ 4,996,914	\$ 4,256,402	\$ 740,512
Capital and non-current assets	11,340,743	11,595,711	(254,968)
Total Assets	16,337,657	15,852,113	485,544
Deferred charges on bond refundings	219,956	238,436	(18,480)
Current liabilities	689,025	663,959	25,066
Long-term liabilities	13,755,451	14,394,196	(638,745)
Total Liabilities	14,444,476	15,058,155	(613,679)
Net investment in capital assets	(2,105,079)	(2,457,546)	352,467
Restricted for debt service	473,921	626,178	(152,257)
Unrestricted	3,744,295	2,863,762	880,533
Total Net Position	\$ 2,113,137	\$ 1,032,394	\$ 1,080,743

The District's net position increased from \$1,032,394 at the end of the previous fiscal year to \$2,113,137 at the end of the current fiscal year. The District's unrestricted net position, which can be used to finance day to day operations, totaled \$3,744,295 at September 30, 2020.

**LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Revenues and Expenses:

Summary Statement of Activities

	Governmental Activities		Change Increase
	2020	2019	(Decrease)
Property taxes, including penalties and interest	\$ 1,862,128	\$ 1,741,271	\$ 120,857
Service accounts, including penalties	96,642	89,992	6,650
Tap connections	103,600	60,200	43,400
Other	57,229	108,313	(51,084)
Total Revenues	2,119,599	1,999,776	119,823
Landscaping and utilities	122,798	165,010	(42,212)
Legal fees	67,309	51,184	16,125
Engineering fees	46,085	71,199	(25,114)
Accounting fees	17,200	17,550	(350)
Other	46,255	65,656	(19,401)
Debt service	485,814	624,728	(138,914)
Depreciation/amortization	253,395	271,753	(18,358)
Total Expenses	1,038,856	1,267,080	(228,224)
Change in Net Position	1,080,743	732,696	348,047
Beginning Net Position	1,032,394	299,698	732,696
Ending Net Position	<u>\$ 2,113,137</u>	<u>\$ 1,032,394</u>	<u>\$ 1,080,743</u>

Revenues were \$2,119,599 for the fiscal year ended September 30, 2020, while expenses were \$1,038,856. Net position increased by \$1,080,743 for the fiscal year ended September 30, 2020.

Property tax revenues totaled \$1,862,128 for the fiscal year ended September 30, 2020, an increase of \$120,857 over last year primarily due to increased assessed values. Included in these taxes are real and personal property taxes which are assessed October 1 and payable before the following January 31.

The District's assessed value in fiscal year 2020 was approximately \$218 million compared to \$208 million in fiscal year 2019. The tax rate is set after reviewing the operating and debt service requirements and appraised values determined by Travis County and Williamson County. The ad valorem tax rate for fiscal year 2020 was \$0.84 per \$100 assessed valuation, which is the same as fiscal year 2019 tax rate. For fiscal year 2020, taxes were allocated 50% to the General Fund and 50% to the Debt Service Fund. Property taxes make up 88% of the District's total revenue sources.

**LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

ANALYSIS OF GOVERNMENTAL FUNDS

	<u>Governmental Funds by Year</u>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash and investments	\$ 4,828,531	\$ 4,184,711	\$ 3,489,616	\$ 2,372,036
Receivables	116,451	14,841	22,888	64,177
Prepaid expenditures	82,731	202	896	37,570
Total Assets	<u>\$ 5,027,713</u>	<u>\$ 4,199,754</u>	<u>\$ 3,513,400</u>	<u>\$ 2,473,783</u>
Accounts payable	\$ 34,099	\$ 20,968	\$ 13,644	\$ 19,910
Other payables	88,774	6,936	1,264	36,809
Total Liabilities	<u>122,873</u>	<u>27,904</u>	<u>14,908</u>	<u>56,719</u>
Deferred Inflows of Resources	<u>3,281</u>	<u>2,471</u>	<u>5,302</u>	<u>719</u>
Nonspendable	1,779	202	896	1,589
Restricted	1,158,918	1,306,854	1,229,036	794,094
Unassigned	3,740,862	2,862,323	2,263,258	1,620,662
Total Fund Balances	<u>4,901,559</u>	<u>4,169,379</u>	<u>3,493,190</u>	<u>2,416,345</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,027,713</u>	<u>\$ 4,199,754</u>	<u>\$ 3,513,400</u>	<u>\$ 2,473,783</u>

As of September 30, 2020, the District's governmental funds reflect a combined fund balance of \$4,901,559 which includes a year-over-year increase of \$880,116 in the General Fund.

The Debt Service Fund reflects a decrease in fund balance of \$153,798 in fiscal year 2020. The Debt Service Fund remitted bond principal of \$600,000 and bond interest of \$482,162 during fiscal year 2020. More detailed information about the District's debt is presented in the *Notes to the Basic Financial Statements*.

The Capital Projects Fund purchases the District's infrastructure. The Capital Projects Fund had a \$5,862 increase in fund balance for fiscal year 2020.

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

BUDGETARY HIGHLIGHTS

The General Fund pays for daily operating expenses. On September 11, 2019, the Board of Directors approved a budget for the fiscal year ending September 30, 2020. The budget included revenues of \$1,105,142 as compared to expenditures of \$529,139 for fiscal year 2020. When comparing actual figures to budgeted amounts, the District had a positive variance of \$304,113 for fiscal year 2020, primarily due to general landscaping project costs totaling less than projected. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

CAPITAL ASSETS

The District's governmental activities have invested \$11,340,743 in land and infrastructure. The detail is reflected in the following schedule:

Summary of Capital Assets, net

	<u>9/30/2020</u>	<u>9/30/2019</u>
Land	\$ 426,867	\$ 426,867
Water/Wastewater/Drainage Facilities	12,420,236	12,420,236
Less: Accumulated Depreciation	<u>(1,506,360)</u>	<u>(1,251,392)</u>
Total Net Capital Assets	<u>\$ 11,340,743</u>	<u>\$ 11,595,711</u>

More detailed information about the District's capital assets is presented in the *Notes to the Basic Financial Statements*.

LONG-TERM DEBT

The District has the following balances outstanding on unlimited tax bonds:

	<u>Bonds Payable</u>
Series 2012	\$ 240,000
Series 2013	505,000
Series 2013A	200,000
Series 2014	1,950,000
Series 2016	3,675,000
Series 2018	3,430,000
Series 2019	<u>4,060,000</u>
Total	<u>\$ 14,060,000</u>

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3 MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2020

The District owes approximately \$14 million to bond holders. During the current fiscal year, \$600,000 of principal reductions was paid by the District. The ratio of the District's long-term debt to the total 2019 taxable assessed valuation (\$218,048,102) is 6.4%. The District's estimated population, as provided by the District as of August 1, 2020, is 2,730. More detailed information about the District's long-term debt is presented in the *Notes to the Basic Financial Statements*.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The property tax assessed value and net taxable value for 2020 is approximately \$229 million. The fiscal year 2021 tax rate is \$0.84 on each \$100 of taxable value. Approximately 51% of the property tax will fund general operating expenses and approximately 49% of the property tax will be set aside for debt service.

The adopted budget for fiscal year 2021 projects an operating fund balance increase of \$651,769. Compared to the fiscal year 2020 budget, revenues are expected to increase by approximately \$89,000 and expenditures are expected to increase by approximately \$14,000.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue may negatively impact the District's results of operations and financial position, the related financial impact cannot be reasonably estimated at this time. The District is actively managing its operations to maintain its cash flow and management believes that the District has adequate liquidity.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas 78701.

BASIC FINANCIAL STATEMENTS

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Net Position
<u>ASSETS</u>						
Cash and cash equivalents:						
Cash on deposit	\$ 74,133	\$ -	\$ -	\$ 74,133	\$ -	\$ 74,133
Cash equivalents	3,590,318	514,722	649,358	4,754,398	-	4,754,398
Receivables:						
Service accounts, no provision for uncollectible accounts	18,471	-	-	18,471	-	18,471
Property taxes	1,654	1,627	-	3,281	-	3,281
Interfund	86,114	-	-	86,114	(86,114)	-
Other	8,585	-	-	8,585	-	8,585
Prepaid expenditures	1,779	-	80,952	82,731	55,315	138,046
Capital assets, net of accumulated depreciation:						
Land	-	-	-	-	426,867	426,867
Water/wastewater/drainage facilities	-	-	-	-	10,913,876	10,913,876
TOTAL ASSETS	3,781,054	516,349	730,310	5,027,713	11,309,944	16,337,657
<u>DEFERRED OUTFLOWS OF RESOURCES</u>						
Deferred charges on bond refundings	-	-	-	-	219,956	219,956
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	219,956	219,956
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,781,054	\$ 516,349	\$ 730,310	\$ 5,027,713	11,529,900	16,557,613
<u>LIABILITIES</u>						
Accounts payable	\$ 34,099	\$ -	\$ -	\$ 34,099	-	34,099
Accrued bond interest payable	-	-	-	-	37,266	37,266
Refundable deposits	2,660	-	-	2,660	-	2,660
Interfund payables	-	5,162	80,952	86,114	(86,114)	-
Long-term liabilities:						
Due within one year	-	-	-	-	615,000	615,000
Due after one year	-	-	-	-	13,755,451	13,755,451
TOTAL LIABILITIES	36,759	5,162	80,952	122,873	14,321,603	14,444,476
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred revenue - property taxes	1,654	1,627	-	3,281	(3,281)	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,654	1,627	-	3,281	(3,281)	-
<u>FUND BALANCES / NET POSITION</u>						
Fund balances:						
Nonspendable	1,779	-	-	1,779	(1,779)	-
Restricted for:						
Debt service	-	509,560	-	509,560	(509,560)	-
Capital projects	-	-	649,358	649,358	(649,358)	-
Unassigned	3,740,862	-	-	3,740,862	(3,740,862)	-
TOTAL FUND BALANCES	3,742,641	509,560	649,358	4,901,559	(4,901,559)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,781,054	\$ 516,349	\$ 730,310	\$ 5,027,713		
Net position:						
Net investment in capital assets					(2,105,079)	(2,105,079)
Restricted for debt service					473,921	473,921
Unrestricted					3,744,295	3,744,295
TOTAL NET POSITION					\$ 2,113,137	\$ 2,113,137

The accompanying notes are an integral part of this statement.

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Activities
<u>REVENUES:</u>						
Property taxes, including penalties and interest	\$ 936,576	\$ 924,742	\$ -	\$ 1,861,318	\$ 810	\$ 1,862,128
Service accounts, including penalties	96,642	-	-	96,642	-	96,642
Tap connections	103,600	-	-	103,600	-	103,600
Interest and other	36,053	15,314	5,862	57,229	-	57,229
TOTAL REVENUES	1,172,871	940,056	5,862	2,118,789	810	2,119,599
<u>EXPENDITURES / EXPENSES:</u>						
Landscaping	97,089	-	-	97,089	-	97,089
Security lights	25,709	-	-	25,709	-	25,709
Engineering fees	46,085	-	-	46,085	-	46,085
Legal fees	67,309	-	-	67,309	-	67,309
Director fees, including payroll taxes	11,788	-	-	11,788	-	11,788
Accounting fees	17,200	-	-	17,200	-	17,200
Telephone	346	-	-	346	-	346
Audit fees	13,000	-	-	13,000	-	13,000
Tax appraisal/collection	4,720	4,638	-	9,358	-	9,358
Insurance	2,461	-	-	2,461	-	2,461
Financial advisor fees	1,276	1,254	-	2,530	-	2,530
Public notice	3,023	-	-	3,023	-	3,023
Other	2,749	1,000	-	3,749	-	3,749
Debt service:						
Bond principal	-	600,000	-	600,000	(600,000)	-
Bond interest	-	482,162	-	482,162	(1,148)	481,014
Fiscal agent fees	-	2,800	-	2,800	-	2,800
Bond issue costs	-	2,000	-	2,000	-	2,000
Depreciation/amortization	-	-	-	-	253,395	253,395
TOTAL EXPENDITURES / EXPENSES	292,755	1,093,854	-	1,386,609	(347,753)	1,038,856
Change in fund balances / net position	880,116	(153,798)	5,862	732,180	348,563	1,080,743
<u>FUND BALANCES / NET POSITION:</u>						
Beginning of the year	2,862,525	663,358	643,496	4,169,379	(3,136,985)	1,032,394
End of the year	<u>\$ 3,742,641</u>	<u>\$ 509,560</u>	<u>\$ 649,358</u>	<u>\$ 4,901,559</u>	<u>\$ (2,788,422)</u>	<u>\$ 2,113,137</u>

The accompanying notes are an integral part of this statement.

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Lakeside Municipal Utility District No. 3 (the “District”) relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles (“GAAP”) as applied to governmental entities. GAAP for local governments includes those principles prescribed by the Governmental Accounting Standards Board (“GASB”), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity - The District was created, organized and established on September 1, 2005, by the Texas Commission on Environmental Quality (formerly known as the Texas Water Commission) pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code. The reporting entity of the District encompasses those activities and functions over which the District’s elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the “Board”) which has been elected by District residents or appointed by the Board. The District is not included in any other governmental “reporting entity” as defined by GASB since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units included in the District’s reporting entity.

Basis of Presentation - Government-Wide and Fund Financial Statements - The basic financial statements are prepared in conformity with GASB Statement No. 34, and include a column for government-wide (based upon the District as a whole) and fund financial statement presentations. GASB Statement No. 34 also requires as supplementary information the Management’s Discussion and Analysis, which includes an analytical overview of the District’s financial activities. In addition, a budgetary comparison statement is presented that compares the adopted General Fund budget with actual results.

- **Government-Wide Statements** - The District’s Statement of Net Position includes both non-current assets and non-current liabilities of the District, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group, as applicable. In addition, the government-wide Statement of Activities column reflects depreciation expense on the District’s capital assets and amortization of deferred charges on refunding bonds and original issue discounts.

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from financial activities of the fiscal period. The focus of the fund financial statements is on the individual funds of the governmental categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

- **Fund Financial Statements** - Fund based financial statement columns are provided for governmental funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures of either fund category) for the determination of major funds. All of the District's funds are reported as major funds.

Governmental Fund Types - The accounts of the District are organized and operated on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. The various funds are grouped by category and type in the financial statements. The District maintains the following fund types:

- **General Fund** - The General Fund accounts for financial resources in use for general types of operations which are not encompassed within other funds. This fund is established to account for resources devoted to financing the general services the District provides for its residents. Tax revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund.
- **Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, debt principal, interest and related costs.
- **Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Non-Current Governmental Assets and Liabilities - GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the government-wide financial statement column in the Statement of Net Position.

Basis of Accounting

- **Governmental Funds**

Government-Wide Statements - The government-wide financial statement column is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

- **Governmental Funds (continued)**

Fund Financial Statements - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance. Governmental funds are accounted for on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e. both measurable and available).

“Measurable” means that the amount of the transaction can be determined and “available” means the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures, if measurable, are generally recognized on the accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include the unmatured principal and interest on general obligation long-term debt which is recognized when due. This exception is in conformity with GAAP.

Property tax revenues are recognized when they become available. In this case, available means when due, or past due and receivable within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Tax collections expected to be received subsequent to the 60-day availability period are reported as deferred inflows of resources. All other revenues of the District are recorded on the accrual basis in all funds.

The District reports deferred inflows of resources on its balance sheet. Deferred inflows of resources arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. In subsequent periods, when revenue recognition criteria are met, the balance for deferred inflows is removed from the balance sheet and revenue is recognized.

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

Budgets and Budgetary Accounting - A budget was adopted on September 11, 2019, for the General Fund on a basis consistent with GAAP. The District's Board utilizes the budget as a management tool for planning and cost control purposes. The budget was not amended during the current fiscal year.

Accounting Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include cash on deposit as well as investments with maturities of three months or less. The investments, consisting of obligations in the State Treasurer's Investment Pool, are recorded at amortized cost.

Accounts Receivable - The District provides for uncollectible service accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the allowance. The District believes all accounts were collectible at September 30, 2020.

Ad Valorem Property Taxes - Property taxes, penalties, and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the District. Allowances for uncollectible property taxes are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Prepaid Expenditures - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures in both the government-wide and fund financial statements. Prepaid expenditures shall be charged to expenditures when consumed.

Capital Assets - Capital assets are reported in the government-wide column in the Statement of Net Position. Public domain ("infrastructure") capital assets including water, wastewater and drainage facilities, are capitalized. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at estimated acquisition value at the time received.

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

Capital assets, other than land, are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Water, wastewater, and drainage facilities	50

Interfund Transactions - Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay that amount and if the debtor fund has the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the government-wide Statement of Net Position. Bond premiums and original issue discounts are deferred over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond insurance costs are reported as assets and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in both the government-wide and the fund financial statements.

Deferred Outflows and Deferred Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 7 for additional information on deferred outflows of resources.

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

Fund Equity - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 11 for additional information on those fund balance classifications.

Fair Value Measurements - The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

Recently Issued Accounting Pronouncements - In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended September 30, 2022.

2. RECONCILIATION OF THE GOVERNMENTAL FUNDS

Adjustments to convert the Governmental Funds Balance Sheet to the Statement of Net Position are as follows:

Fund balances - total governmental funds		\$ 4,901,559
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Capital assets	12,847,103	
Less: Accumulated depreciation	<u>(1,506,360)</u>	11,340,743
Revenue is recognized when earned in the government-wide statements, regardless of availability. Governmental funds report deferred inflows of resources of revenues earned but not available.		3,281
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable	(14,060,000)	
Bond premiums/discounts, net	(310,451)	
Bond insurance premium	55,315	
Deferred charges on bond refundings	219,956	
Accrued bond interest payable	<u>(37,266)</u>	<u>(14,132,446)</u>
Net position of governmental activities		<u><u>\$ 2,113,137</u></u>

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020

2. RECONCILIATION OF THE GOVERNMENTAL FUNDS (continued) -

Adjustments to convert the Governmental Funds Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities are as follows:

Changes in fund balances - total governmental funds		\$ 732,180
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report:		
Bond principal in year paid	600,000	
Interest expenditures in year paid	1,148	
Tax revenue in year collected	810	
	<u>601,958</u>	
Governmental funds do not report:		
Depreciation	(254,968)	
Amortization of bond insurance premium	(3,692)	
Amortization of bond discounts/premiums	23,745	
Amortization of deferred charges on bond refundings	(18,480)	
	<u>(253,395)</u>	
Change in net position of governmental activities		<u>\$ 1,080,743</u>

3. CASH AND CASH EQUIVALENTS

The investment policies of the District are governed by Section 2256 of the Texas Government Code (the "Public Funds Investment Act") and an adopted District Investment Policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District's investment policy, which complies with the Public Funds Investment Act, include: depositories must be Federal Deposit Insurance Corporation ("FDIC") insured Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits; and securities collateralizing time deposits are held by independent third party trustees.

Cash - At September 30, 2020, the carrying amount of the District's deposits was \$74,133 and the bank balance was \$75,585. The bank balance was covered by FDIC insurance and other pledged collateral.

Interest Rate Risk - In accordance with its investment policy, the District manages its exposure to declines in fair values through investment diversification and limiting investments as follows:

- Money market mutual funds are required to have weighted average maturities of 90 days or fewer; and
- Other mutual fund investments are required to have weighted average maturities of less than two years.

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020

3. CASH AND CASH EQUIVALENTS (continued) -

Credit Risk - The District's investment policy requires the application of the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, and considering the probable safety of their capital as well as the probable income to be derived. The District's investment policy requires that District funds be invested in:

- Obligations of the United States Government and/or its agencies and instrumentalities; or
- Money market mutual funds with investment objectives of maintaining a stable net asset value of \$1 per share; or
- Mutual funds rated in one of the three highest categories by a nationally recognized rating agency; or
- Securities issued by a State or local government or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency; or
- Public funds investment pools rated AAA or AAAM by a nationally recognized rating agency.

At September 30, 2020, the District held the following investments:

Cash Equivalents and Investments	Fair Value at 9/30/2020	Weighted Average Maturity (Days)	Investment Rating	
			Rating	Rating Agency
TexPool	\$ 701,155	1	AAAM	Standard & Poors
LOGIC	4,053,243	1	AAAM	Standard & Poors
	<u>\$ 4,754,398</u>			

The Comptroller of Public Accounts is the sole officer and director of the Texas Treasury Safekeeping Trust Company, which is authorized to operate the Texas Local Government Investment Pool ("TexPool"). Although TexPool is not registered with the SEC as an investment company, they operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. These investments are stated at amortized cost in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. TexPool also has an advisory board to advise on TexPool's investment policy. This board is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. Federated Investors is the investment manager for the pool and manages daily operations of TexPool under a contract with the Comptroller. TexPool's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020

3. CASH AND CASH EQUIVALENTS (continued) -

Local Government Investment Cooperative (“LOGIC”) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. The pool was created in April 1994 through a contract among its participating governmental units, and is governed by a board of directors to provide for the joint investments of participant’s public funds and funds under their control. LOGIC’s investment policy seeks to invest pooled assets in a manner that will provide for safety of principal, liquidity in accordance with the operating requirements of the participants, and a competitive rate of return by utilizing economies of scale and professional investment expertise. J.P. Morgan Investment Management Inc. serves as investment adviser to LOGIC and is an SEC registered investment adviser.

In accordance with GASB Statement No. 79, the external local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

Concentration of Credit Risk - In accordance with the District’s investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of September 30, 2020, the District did not own any investments in individual securities.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The government’s investment policy requires that the District’s deposits be fully insured by FDIC insurance or collateralized with obligations of the United States or its agencies and instrumentalities. As of September 30, 2020, the District’s bank deposits were fully covered by FDIC insurance and other pledged collateral.

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Travis Central Appraisal District and the Williamson Central Appraisal District established appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Travis County Tax Assessor Collector and the Williamson County Tax Assessor Collector bill and collect the District’s property taxes. The Board set current tax rates on September 11, 2019.

The property tax rates, established in accordance with state law, were based on 100% of the net assessed valuation of real property within the District on the 2019 tax roll. The tax rate, based on total taxable assessed valuation of \$218,048,102, was \$0.84 on each \$100 valuation and was allocated \$0.4235 to the General Fund and \$0.4165 to the Debt Service Fund. A maximum allowable maintenance tax of \$1.40 per \$100 valuation was approved by voters in the District in November 2005.

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020

4. PROPERTY TAXES (continued) -

At September 30, 2020, property taxes receivable were as follows:

	General Fund	Debt Service Fund	Total
Current year levy	\$ 1,654	\$ 1,627	\$ 3,281
Prior years' levies	-	-	-
	<u>\$ 1,654</u>	<u>\$ 1,627</u>	<u>\$ 3,281</u>

The District is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

5. INTERFUND ACCOUNTS

A summary of interfund accounts, which resulted from the time lag between dates that payments are made between funds, is as follows at September 30, 2020:

	Interfund	
	Receivables	Payables
General Fund :		
Debt Service Fund	\$ 5,162	\$ -
Capital Projects Fund	80,952	-
Debt Service Fund -		
General Fund	-	5,162
Capital Projects Fund -		
General Fund	-	80,952
	<u>\$ 86,114</u>	<u>\$ 86,114</u>

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 9/30/2019	Additions	Deletions	Balance 9/30/2020
Capital assets not being depreciated -				
Land	\$ 426,867	\$ -	\$ -	\$ 426,867
Capital assets being depreciated -				
Water/Wastewater/Drainage Facilities	12,420,236	-	-	12,420,236
Total capital assets being depreciated	12,420,236	-	-	12,420,236
Less accumulated depreciation for -				
Water/Wastewater/Drainage Facilities	(1,251,392)	(254,968)	-	(1,506,360)
Total accumulated depreciation	(1,251,392)	(254,968)	-	(1,506,360)
Total capital assets being depreciated, net of accumulated depreciation	11,168,844	(254,968)	-	10,913,876
Total capital assets, net	<u>\$11,595,711</u>	<u>\$ (254,968)</u>	<u>\$ -</u>	<u>\$11,340,743</u>

7. DEFERRED OUTFLOWS OF RESOURCES

The following is a summary of changes in deferred outflows of resources for the year ended September 30, 2020:

Deferred charges on bond refundings - September 30, 2019	\$ 238,436
Retirements from Series 2013 and Series 2019 refundings	(18,480)
Deferred charges on bond refundings - September 30, 2020	<u>\$ 219,956</u>

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020

8. LONG-TERM DEBT

The following is a summary of the District's bond transactions for the year ended September 30, 2020:

	<u>Unlimited Tax Bonds</u>
Bonds payable at September 30, 2019	\$ 14,660,000
Bonds issued	-
Bonds retired	(600,000)
Bond discounts/premiums, net	<u>310,451</u>
Bonds payable at September 30, 2020	<u><u>\$ 14,370,451</u></u>

Bonds payable at September 30, 2020 were comprised of the following individual issues:

Unlimited Tax Bonds:

\$240,000 - 2012 Unlimited Tax Bonds payable serially through the year 2023 at interest rates which range from 2.00% to 4.00%.

\$200,000 - 2013A Unlimited Tax Bonds payable serially through the year 2022 at interest rates which range from 3.00% to 5.00%.

\$1,950,000 - 2014 Unlimited Tax Bonds payable serially through the year 2034 at interest rates which range from 3.00% to 3.625%.

\$3,675,000 - 2016 Unlimited Tax Bonds payable serially through the year 2035 at interest rates which range from 2.00% to 3.00%.

\$3,430,000 - 2018 Unlimited Tax Bonds payable serially through the year 2037 at interest rates which range from 2.00% to 4.00%.

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020

8. LONG-TERM DEBT (continued) -

Unlimited Tax Refunding Bonds:

\$505,000 - 2013 Unlimited Tax Bonds payable serially through the year 2023 at interest rates which range from 2.00% to 3.90%.

\$4,060,000 - 2019 Unlimited Tax Bonds payable serially through the year 2033 at an interest rate of 4.00%.

The annual requirements to amortize all bonded debt at September 30, 2020, including interest, are as follows:

Year Ended September 30,	Annual Requirements for All Series		
	Principal	Interest	Total
2021	\$ 615,000	\$ 465,181	\$ 1,080,181
2022	650,000	447,169	1,097,169
2023	640,000	427,986	1,067,986
2024	675,000	407,944	1,082,944
2025	715,000	385,694	1,100,694
2026-2030	3,980,000	1,555,406	5,535,406
2031-2035	4,755,000	812,849	5,567,849
2036-2037	2,030,000	98,475	2,128,475
	<u>\$ 14,060,000</u>	<u>\$ 4,600,704</u>	<u>\$ 18,660,704</u>

The total amount of bonds approved by the voters of the District but not issued is \$42,770,000 at September 30, 2020.

\$509,560 is available in the Debt Service Fund to service the bonded debt as of September 30, 2020.

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020

9. COMMITMENTS AND CONTINGENCIES

The developer of the land within the District has incurred costs related to the construction of facilities. Such costs may be reimbursable to the developer by the District from proceeds of future District bond issues, subject to approval by the Texas Commission on Environmental Quality. The District, as of September 30, 2020, has recorded no liability pertaining to such costs.

The District assesses a drainage fee of \$700 per connection pursuant to an Order Establishing Drainage Fees effective January 10, 2007. The District amended its Rate Order effective December 14, 2016, to include collection of this drainage fee through a billing services agreement with the City of Pflugerville, Texas.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue may negatively impact the District's results of operations and financial position, the related financial impact cannot be reasonably estimated at this time. The District is actively managing its operations to maintain its cash flow and management believes that the District has adequate liquidity.

10. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from commercial insurance companies and the Texas Municipal League Intergovernmental Risk Pool ("TML Pool") to effectively manage its risk. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

The TML Pool was established by various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool Board. Rates are estimated to include all claims expected to occur during the policy including claims incurred but not reported. The TML Pool has established Claims Reserves for each of the types of insurance offered. Although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contribution rate for subsequent years. Members may receive returns of contributions if actual results are more favorable than estimated.

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

11. FUND BALANCES

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

- Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.
- Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.
- Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board. The District had no such amounts.
- Assigned - For the General Fund, amounts that are appropriated by the Board that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed. The District had no such amounts.
- Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances are included in the Governmental Funds Balance Sheet on page FS-1.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board may also assign fund balance for a specific purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

**REQUIRED
SUPPLEMENTARY INFORMATION**

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2020

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Property taxes, including penalties and interest	\$ 936,576	\$ 911,359	\$ 25,217
Service accounts, including penalties	96,642	95,383	1,259
Tap connections	103,600	50,400	53,200
Interest and other	36,053	48,000	(11,947)
TOTAL REVENUES	<u>1,172,871</u>	<u>1,105,142</u>	<u>67,729</u>
EXPENDITURES:			
Landscaping	97,089	288,000	190,911
Security lights	25,709	24,000	(1,709)
Engineering fees	46,085	90,000	43,915
Legal fees	67,309	60,000	(7,309)
Director fees, including payroll taxes	11,788	20,554	8,766
Accounting fees	17,200	17,550	350
Telephone	346	1,200	854
Audit fees	13,000	13,500	500
Tax appraisal/collection	4,720	4,000	(720)
Insurance	2,461	3,300	839
Financial advisor fees	1,276	1,260	(16)
Public notice	3,023	2,500	(523)
Other	2,749	3,275	526
TOTAL EXPENDITURES	<u>292,755</u>	<u>529,139</u>	<u>236,384</u>
Excess of revenues over expenditures	880,116	<u><u>\$ 576,003</u></u>	<u><u>\$ 304,113</u></u>
FUND BALANCE:			
Beginning of the year	<u>2,862,525</u>		
End of the year	<u><u>\$ 3,742,641</u></u>		

TEXAS
SUPPLEMENTAL INFORMATION

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2020

1. Services Provided by the District during the Fiscal Year:⁽¹⁾

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Security
<input type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other (specify): _____		

2. Retail Service Providers

a. Retail Rates Based on 5/8" Meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	\$ 16.00	-	N	\$ 4.15	0 to 7,000
				\$ 4.35	7,000 to 14,999
				\$ 5.05	15,000 to Unlimited
WASTEWATER:	\$ 40.00	-	Y	\$ -	
SURCHARGE:	\$ -	-		\$ -	

District employs winter averaging for wastewater usage? Yes ☐ No ☒

Total charges per 10,000 gallons usage: Water \$ 58.10 Wastewater \$ 40.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered				
< 3/4"				
1"				
1 1/2"				
2"				
3"				
4"				
6"				
8"				
10"				
Total Water	(1)	853.0		
Total Wastewater	(1)	851.0		

⁽¹⁾ The District is serviced by the City of Pflugerville. Rates are as amended 11/2019.

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2020

3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand):

Gallons pumped into system: _____ (1)

Gallons billed to customers: _____ (1)

Water Accountability Ratio

(Gallons billed / Gallons Pumped)

N/A

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District assess standby fees? Yes ☐ No ☒

If yes, Date of the most recent Commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes ☐ No ☒

If yes, Date of the most recent Commission Order: _____

5. Location of District

County(ies) in which district is located: _____ Travis and Williamson

Is the District located entirely within one county? Yes ☐ No ☒

Is the District located within a city? Entirely ☐ Partly ☐ Not at all ☒

City(ies) in which district is located: _____ N/A

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely ☒ Partly ☐ Not at all ☐

ETJ's in which district is located: _____ City of Pflugerville

Are Board members appointed by an office outside the district?

Yes ☐ No ☒

If Yes, by whom? _____

⁽¹⁾ The District is serviced by the City of Pflugerville.

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
TSI-2. GENERAL FUND EXPENDITURES
SEPTEMBER 30, 2020

Personnel Expenditures (including benefits)	\$ -
Professional Fees:	
Auditing	13,000
Legal	67,309
Engineering	46,085
Financial Advisor	1,276
Purchased Services For Resale-	
Bulk Water and Wastewater Purchases	-
Contracted Services:	
Bookkeeping	17,200
General Manager	-
Appraisal District/Tax Collector	4,720
Other Contracted Services	97,089
Utilities	26,055
Repairs and Maintenance	-
Chemicals	-
Administrative Expenditures:	
Directors' Fees	11,788
Office Supplies	-
Insurance	2,461
Other Administrative Expenditures	5,772
Capital Outlay:	
Capitalized Assets	-
Expenditures not Capitalized	-
Bad Debt	-
Parks and Recreation	-
Other Expenditures	-
TOTAL EXPENDITURES	\$ 292,755

Number of persons employed by the District:

☐ Full-Time

☒ Part-Time

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
TSI-3. TEMPORARY INVESTMENTS
SEPTEMBER 30, 2020

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
General Fund:					
TexPool	XXX0001	Varies	Daily	\$ 6,566	\$ -
LOGIC	XXX3001	Varies	Daily	3,583,752	-
Total				3,590,318	-
Debt Service Fund:					
TexPool	XXX0002	Varies	Daily	4,467	-
TexPool	XXX0003	Varies	Daily	40,764	-
LOGIC	XXX3002	Varies	Daily	469,491	-
Total				514,722	-
Capital Projects Fund:					
TexPool	XXX0008	Varies	Daily	140,110	-
TexPool	XXX0009	Varies	Daily	95,234	-
TexPool	XXX0012	Varies	Daily	8,730	-
TexPool	XXX0013	Varies	Daily	81,648	-
TexPool	XXX0015	Varies	Daily	323,636	-
Total				649,358	-
Total - All Funds				\$ 4,754,398	\$ -

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
TSI-4. TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2020

	Maintenance Taxes	Debt Service Taxes
Taxes Receivable, Beginning of Year	\$ 1,237	\$ 1,234
2019 Original Tax Levy	922,361	907,115
Tax adjustments	1,073	1,055
Total to be accounted for	924,671	909,404
Tax collections:		
Current year	921,780	906,543
Prior years	1,237	1,234
Total collections	923,017	907,777
Taxes Receivable, End of Year	\$ 1,654	\$ 1,627
Taxes Receivable, By Years		
2018 and before	\$ -	\$ -
2019	1,654	1,627
Taxes Receivable, End of Year	\$ 1,654	\$ 1,627

Property Valuations-	2019 (a)	2018 (a)	2017 (a)	2016 (a)
Land and improvements	\$ 218,048,102	\$ 207,588,394	\$ 180,116,054	\$ 154,037,014
Total Property Valuations	\$ 218,048,102	\$ 207,588,394	\$ 180,116,054	\$ 154,037,014
Tax Rates per \$100 Valuation:				
Debt Service tax rates	\$ 0.4165	\$ 0.4793	\$ 0.4195	\$ 0.5490
Maintenance tax rates	0.4235	0.3607	0.4205	0.2910
Total Tax Rates per \$100 Valuation	\$ 0.8400	\$ 0.8400	\$ 0.8400	\$ 0.8400
Original Tax Levy	\$ 1,831,604	\$ 1,743,743	\$ 1,512,975	\$ 1,293,911
Percent of Taxes Collected to Taxes Levied **	99.8%	100.0%	100.0%	100.0%

A maximum maintenance tax rate of \$1.40 per \$100 valuation was approved by voters in the District in November 2005.

**Calculated as taxes collected in current and previous years divided by tax levy.

(a) Valuations are provided by the appropriate Appraisal District. Due to various factors including tax protests and disputes, such valuations change over time; therefore, they may vary slightly from those disclosed in the District's bond offering documents or the District's annual bond disclosure filings.

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2020

Fiscal Year Ending	Unlimited Tax Bonds Series 2012			Unlimited Tax Refunding Bonds Series 2013			Unlimited Tax Bonds Series 2013A			Unlimited Tax Bonds Series 2014		
	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total
2021	\$ 75,000	\$ 7,575	\$ 82,575	\$ 165,000	\$ 15,575	\$ 180,575	\$ 100,000	\$ 6,250	\$ 106,250	\$ 25,000	\$ 68,031	\$ 93,031
2022	80,000	5,325	85,325	170,000	10,625	180,625	100,000	3,250	103,250	25,000	67,219	92,219
2023	85,000	2,805	87,805	170,000	5,525	175,525	-	-	-	25,000	66,406	91,406
2024	-	-	-	-	-	-	-	-	-	50,000	65,594	115,594
2025	-	-	-	-	-	-	-	-	-	50,000	63,969	113,969
2026	-	-	-	-	-	-	-	-	-	75,000	62,344	137,344
2027	-	-	-	-	-	-	-	-	-	75,000	59,906	134,906
2028	-	-	-	-	-	-	-	-	-	75,000	57,469	132,469
2029	-	-	-	-	-	-	-	-	-	75,000	55,031	130,031
2030	-	-	-	-	-	-	-	-	-	75,000	52,594	127,594
2031	-	-	-	-	-	-	-	-	-	75,000	50,063	125,063
2032	-	-	-	-	-	-	-	-	-	200,000	47,531	247,531
2033	-	-	-	-	-	-	-	-	-	450,000	40,781	490,781
2034	-	-	-	-	-	-	-	-	-	675,000	24,469	699,469
2035	-	-	-	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 240,000</u>	<u>\$ 15,705</u>	<u>\$ 255,705</u>	<u>\$ 505,000</u>	<u>\$ 31,725</u>	<u>\$ 536,725</u>	<u>\$ 200,000</u>	<u>\$ 9,500</u>	<u>\$ 209,500</u>	<u>\$ 1,950,000</u>	<u>\$ 781,407</u>	<u>\$ 2,731,407</u>

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2020

Fiscal Year Ending	Unlimited Tax Bonds Series 2016			Unlimited Tax Bonds Series 2018			Unlimited Tax Refunding Bonds Series 2019			Total - All Issues		
	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total
2021	150,000	97,188	247,188	\$ 100,000	\$ 108,162	\$ 208,162	\$ -	\$ 162,400	\$ 162,400	\$ 615,000	\$ 465,181	\$ 1,080,181
2022	175,000	94,188	269,188	100,000	104,162	204,162	-	162,400	162,400	650,000	447,169	1,097,169
2023	175,000	90,688	265,688	100,000	100,162	200,162	85,000	162,400	247,400	640,000	427,986	1,067,986
2024	175,000	87,188	262,188	100,000	96,162	196,162	350,000	159,000	509,000	675,000	407,944	1,082,944
2025	175,000	83,688	258,688	100,000	93,037	193,037	390,000	145,000	535,000	715,000	385,694	1,100,694
2026	175,000	79,750	254,750	100,000	91,037	191,037	400,000	129,400	529,400	750,000	362,531	1,112,531
2027	175,000	75,813	250,813	100,000	88,787	188,787	415,000	113,400	528,400	765,000	337,906	1,102,906
2028	175,000	71,438	246,438	100,000	86,412	186,412	430,000	96,800	526,800	780,000	312,119	1,092,119
2029	175,000	67,063	242,063	100,000	83,912	183,912	470,000	79,600	549,600	820,000	285,606	1,105,606
2030	200,000	62,688	262,688	100,000	81,162	181,162	490,000	60,800	550,800	865,000	257,244	1,122,244
2031	225,000	57,188	282,188	100,000	78,162	178,162	500,000	41,200	541,200	900,000	226,613	1,126,613
2032	250,000	51,000	301,000	75,000	75,162	150,162	375,000	21,200	396,200	900,000	194,893	1,094,893
2033	250,000	43,500	293,500	75,000	72,912	147,912	155,000	6,200	161,200	930,000	163,393	1,093,393
2034	250,000	36,000	286,000	75,000	70,662	145,662	-	-	-	1,000,000	131,131	1,131,131
2035	950,000	28,500	978,500	75,000	68,319	143,319	-	-	-	1,025,000	96,819	1,121,819
2036	-	-	-	1,030,000	65,975	1,095,975	-	-	-	1,030,000	65,975	1,095,975
2037	-	-	-	1,000,000	32,500	1,032,500	-	-	-	1,000,000	32,500	1,032,500
	<u>\$ 3,675,000</u>	<u>\$ 1,025,880</u>	<u>\$ 4,700,880</u>	<u>\$ 3,430,000</u>	<u>\$ 1,396,687</u>	<u>\$ 4,826,687</u>	<u>\$ 4,060,000</u>	<u>\$ 1,339,800</u>	<u>\$ 5,399,800</u>	<u>\$ 14,060,000</u>	<u>\$ 4,600,704</u>	<u>\$ 18,660,704</u>

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
TSI-6. CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2020

	Bond Issue Series 2012	Bond Issue Series 2013	Bond Issue Series 2013A	Bond Issue Series 2014	Bond Issue Series 2016	Bond Issue Series 2018	Bond Issue Series 2019	Total
Interest Rate	2.00% - 4.00%	2.00% - 3.90%	3.00% - 5.00%	3.00% - 3.625%	2.00% - 3.00%	2.00% - 4.00%	4.00%	
Dates Interest Payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1	
Maturity Dates	9/1/2023	9/1/2023	9/1/2022	9/1/2034	9/1/2035	9/1/2037	9/1/2033	
Bonds Outstanding at Beginning of Current Fiscal Year	\$ 310,000	\$ 660,000	\$ 300,000	\$ 1,975,000	\$ 3,825,000	\$ 3,530,000	\$ 4,060,000	\$ 14,660,000
Bonds Sold During the Current Fiscal Year	-	-	-	-	-	-	-	-
Retirements During the Current Fiscal Year:								
Principal	(70,000)	(155,000)	(100,000)	(25,000)	(150,000)	(100,000)	-	(600,000)
Refunded	-	-	-	-	-	-	-	-
Bonds Outstanding at End of Current Fiscal Year	<u>\$ 240,000</u>	<u>\$ 505,000</u>	<u>\$ 200,000</u>	<u>\$ 1,950,000</u>	<u>\$ 3,675,000</u>	<u>\$ 3,430,000</u>	<u>\$ 4,060,000</u>	<u>\$ 14,060,000</u>
Interest Paid During the Current Fiscal Year	<u>\$ 9,675</u>	<u>\$ 19,644</u>	<u>\$ 9,250</u>	<u>\$ 68,844</u>	<u>\$ 100,187</u>	<u>\$ 112,162</u>	<u>\$ 162,400</u>	<u>\$ 482,162</u>
Paying Agent's Name & Address:	UMB Bank, N.A. Dallas, TX	UMB Bank, N.A. Dallas, TX	UMB Bank, N.A. Dallas, TX	UMB Bank, N.A. Dallas, TX	UMB Bank, N.A. Dallas, TX	UMB Bank, N.A. Dallas, TX	UMB Bank, N.A. Dallas, TX	UMB Bank, N.A. Dallas, TX
Bond Authority:	Unlimited Tax Bonds*	Refunding Bonds						
Amount Authorized by Voters	\$ 59,475,000	\$ -	**					
Amount Issued	<u>(16,705,000)</u>	<u>6,805,000</u>						
Remaining To Be Issued	<u>\$ 42,770,000</u>	<u>\$ -</u>						
* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.								
** Voter approval of refunding bonds is not required pursuant to Texas Water Code 49.106.								
Debt Service Fund Cash, Cash Equivalents, and Temporary Investment balances as of September 30, 2020:		<u>\$ 514,722</u>						
Average Annual Debt Service Payment (Principal & Interest) for the remaining term of all debt		<u>\$ 1,097,688</u>						

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3

TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES

GENERAL AND DEBT SERVICE FUNDS - FIVE YEARS

SEPTEMBER 30, 2020

	Amounts					Percent of Fund Total Revenues				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
GENERAL FUND REVENUES :										
Property taxes, including penalties and interest	\$ 936,576	\$ 748,746	\$ 755,612	\$ 449,396	\$ 487,843	79.9%	77.9%	80.7%	62.3%	81.2%
Service accounts, including penalties	96,642	89,992	87,840	76,286	67,578	8.2%	9.4%	9.4%	10.6%	11.2%
Tap connections	103,600	60,200	60,200	186,200	42,000	8.8%	6.3%	6.4%	25.8%	7.0%
Interest and other	36,053	62,541	32,931	9,817	3,310	3.1%	6.4%	3.5%	1.3%	0.6%
TOTAL GENERAL FUND REVENUES	1,172,871	961,479	936,583	721,699	600,731	100.0%	100.0%	100.0%	100.0%	100.0%
GENERAL FUND EXPENDITURES:										
Director fees, including payroll taxes	11,788	11,788	10,011	15,017	18,085	1.0%	1.2%	1.1%	2.1%	3.0%
Legal fees	67,309	51,184	57,654	59,750	62,873	5.7%	5.3%	6.2%	8.3%	10.5%
Engineering fees	46,085	71,199	21,213	24,061	38,945	3.9%	7.4%	2.3%	3.3%	6.5%
Financial advisor fees	1,276	1,013	1,016	634	887	0.1%	0.1%	0.1%	0.1%	0.1%
Accounting fees	17,200	17,550	17,550	17,550	17,550	1.5%	1.8%	1.9%	2.4%	2.9%
Audit fees	13,000	13,000	12,500	12,500	12,000	1.1%	1.4%	1.3%	1.7%	2.0%
Security lights	25,709	22,849	22,392	20,946	20,377	2.2%	2.4%	2.4%	2.9%	3.4%
Insurance	2,461	2,554	2,554	1,730	1,861	0.2%	0.3%	0.3%	0.2%	0.3%
Landscaping	97,089	165,010	141,648	165,479	93,133	8.3%	17.2%	15.1%	22.9%	15.5%
Telephone	346	343	330	319	-	-	-	-	-	-
Tax appraisal/collection	4,720	3,871	4,123	2,573	2,928	0.4%	0.4%	0.4%	0.4%	0.5%
Public notice	3,023	638	1,866	1,118	423	0.3%	0.1%	0.2%	0.2%	0.1%
Other	2,749	2,109	1,823	2,284	2,023	0.2%	0.2%	0.2%	0.3%	0.3%
Capital outlay	-	-	-	-	36,460	-	-	-	-	6.1%
TOTAL GENERAL FUND EXPENDITURES	292,755	363,108	294,680	323,961	307,545	24.9%	37.8%	31.5%	44.8%	51.2%
EXCESS OF GENERAL FUND REVENUES OVER EXPENDITURES	\$ 880,116	\$ 598,371	\$ 641,903	\$ 397,738	\$ 293,186	75.1%	62.2%	68.5%	55.2%	48.8%
DEBT SERVICE FUND REVENUES AND OTHER FINANCING SOURCES:										
Property taxes, including penalties and interest	\$ 924,742	\$ 995,356	\$ 753,745	\$ 847,068	\$ 518,207	98.4%	80.5%	73.6%	99.2%	68.3%
Interest	15,314	31,064	18,936	6,471	1,921	1.6%	2.5%	1.8%	0.8%	0.3%
Issuance of bonds, net of payment to refunding agent	-	210,156	252,062	-	238,052	-	17.0%	24.6%	-	31.4%
TOTAL DEBT SERVICE FUND REVENUES AND OTHER FINANCING SOURCES	940,056	1,236,576	1,024,743	853,539	758,180	100.0%	100.0%	100.0%	100.0%	100.0%
DEBT SERVICE FUND EXPENDITURES:										
Bond principal	600,000	520,000	425,000	305,000	295,000	63.8%	42.1%	41.5%	35.7%	38.9%
Bond interest	482,162	434,756	471,761	405,141	323,913	51.3%	35.2%	46.0%	47.5%	42.7%
Bond issuance costs	2,000	208,819	-	-	-	0.2%	16.9%	-	-	-
Fiscal agent fees and other	9,692	9,891	11,227	8,650	7,953	1.1%	0.7%	1.1%	1.0%	1.1%
TOTAL DEBT SERVICE FUND EXPENDITURES	1,093,854	1,173,466	907,988	718,791	626,866	116.4%	94.9%	88.6%	84.2%	82.7%
EXCESS (DEFICIT) OF DEBT SERVICE FUND REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ (153,798)	\$ 63,110	\$ 116,755	\$ 134,748	\$ 131,314	-16.4%	5.1%	11.4%	15.8%	17.3%
TOTAL ACTIVE RETAIL WATER CONNECTIONS	853	768	754	694	594					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	851	768	752	692	592					

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3

TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

SEPTEMBER 30, 2020

Complete District Mailing Address:	100 Congress Ave., Suite 1300
	Austin, TX 78701
District Business Telephone Number:	(512) 435-2300
Submission Date of the most recent District Registration Form TWC Sections 36.054 & 49.054):	November 14, 2018
Limits on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution TWC Section 49.060)	\$7,200

Name and Address:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimbursements	Title at Year End
		9/30/2020	9/30/2020	
Current Board Members:				
J.D. Scott	(Elected) 11/6/2018 - 11/8/2022	\$ 3,750	\$ 194	President
John T. Sutton	(Elected) 11/6/2018 - 11/8/2022	\$ 1,950	\$ -	Vice-President
David Cotton	(Elected) 11/8/2016 - 11/3/2020	\$ 1,500	\$ -	Secretary
Laura Olszeski	(Elected) 11/6/2018 - 11/8/2022	\$ 1,800	\$ -	Treasurer
Mike Zeniecki	(Elected) 11/8/2016 - 11/3/2020	\$ 1,950	\$ 118	Assistant Sec. / Treasurer

**Fees of Office* are the amounts actually paid to a director during the District's fiscal year.

Consultants:

Armbrust & Brown, PLLC	9/13/2006	\$ 71,495	\$ -	Attorney
Gray Engineering, Inc.	9/6/2005	\$ 55,777	\$ -	Engineer
		\$ 65,952	\$ -	Bond Related Services
Bott & Douthitt, PLLC	7/1/2009	\$ 17,200	\$ 169	District Accountant
Public Finance Group LLC	3/12/2014	\$ 2,530	\$ -	Financial Advisor
Maxwell Locke & Ritter LLP	10/8/2008	\$ 13,000	\$ -	Auditor
Travis County Tax Collector	10/11/2006	\$ 1,481	\$ -	Tax Collector

**OTHER
SUPPLEMENTAL INFORMATION**

LAKE SIDE MUNICIPAL UTILITY DISTRICT NO. 3
OSI-1. PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2020

Taxpayer	Type of Property	Tax Roll Year		
		2020	2019	2018
Lennar Homes of Texas	N/A	\$ 5,099,315	\$ -	\$ 2,014,134
Lennar Homes of Texas	N/A	1,017,277	595,111	595,111
Homeowner	N/A	420,437	408,829	411,693
Homeowner	N/A	386,995	386,995	404,693
Homeowner	N/A	384,400	384,400	398,049
Homeowner	N/A	382,104	382,104	393,139
Homeowner	N/A	381,447	381,447	392,665
Homeowner	N/A	380,923	380,923	392,126
Homeowner	N/A	380,006	380,006	391,290
Homeowner	N/A	379,991	379,991	390,865
Homeowner	N/A	-	379,893	-
Gehan Homes Ltd.	N/A	-	-	-
Total		\$ 9,212,895	\$ 4,059,699	\$ 5,783,765
Percent of Assessed Valuation before Adjustments		3.9%	1.8%	2.7%

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
OSI-2. ASSESSED VALUE BY CLASSIFICATION
SEPTEMBER 30, 2020

Type of Property	Tax Roll Year					
	2020		2019		2018	
	Amount	%	Amount	%	Amount	%
Single Family Residence	\$ 224,494,087	98.2%	\$ 221,181,579	101.4%	\$ 203,922,629	98.1%
Vacant Lot	1,723	-	803	-	348	-
Qualified Ag Land	-	-	902,397	0.4%	902,397	0.4%
Non-Qualified Land	-	-	595,111	0.3%	595,111	0.3%
Commercial Personal Property	418,949	0.2%	552,175	0.3%	567,251	0.3%
Residential Inventory	12,065,467	5.3%	862,227	0.4%	7,084,636	3.4%
Totally Exempt Property	735,222	0.3%	735,440	0.3%	735,003	0.4%
Subtotal	237,715,448	104.0%	224,829,732	103.1%	213,807,375	103.0%
Plus/Minus: Adjustments	(9,192,797)	-4.0%	(6,781,630)	-3.1%	(6,218,981)	-3.0%
Net Taxable	<u>\$ 228,522,651</u>	<u>100.0%</u>	<u>\$ 218,048,102</u>	<u>100.0%</u>	<u>\$ 207,588,394</u>	<u>100.0%</u>

APPENDIX B
Form of Bond Counsel Opinion

*[An opinion in substantially the following form will be delivered by McCall,
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the
Bonds, assuming no material changes in facts or law.]*

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3

**UNLIMITED TAX BONDS, SERIES 2021
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$5,750,000**

AS BOND COUNSEL FOR LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3 (the "District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the order of the Board of Directors of the District adopted on March 10, 2021, authorizing the issuance of the Bonds (the "Order").

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the District, including the Order and other documents authorizing and relating to the issuance of the Bonds; and we have examined various certificates and documents executed by officers and officials of the District upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Bonds (Bond Numbered T-1) and specimens of Bonds to be authenticated and delivered in exchange for the Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been duly authorized, issued and delivered in accordance with law; and that said Bonds, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principle of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the District, payable from ad valorem taxes without legal limit as to rate or amount to be levied and collected by the District upon taxable property within the District, which taxes the District has covenanted to levy in an amount sufficient (together with revenues and receipts from other sources which are legally available for such purposes) to pay the interest on and the principal of the Bonds. Such covenant to levy taxes is subject to the right of a city, under existing Texas law, to annex all of the territory within the District; to take over all properties and assets of the District; to assume all debts, liabilities, and obligations of the District, including the Bonds; and to abolish the District.



THE DISTRICT reserves the right to issue additional bonds which will be payable from taxes; bonds, notes, and other obligations payable from revenues; and bonds payable from contracts with other persons, including private corporations, municipalities, and political subdivisions

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance by the District with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the District to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer. We observe that the District has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.



WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the District, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of and the assessed valuation of taxable property within the District. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

APPENDIX C
Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

