

OFFICIAL STATEMENT DATED JUNE 8, 2016

NEW ISSUE-BOOK-ENTRY-ONLY

Ratings: National Insured: S&P "AA-" (Stable Outlook); Underlying: Moody's "Baa3"
See "MUNICIPAL BOND RATINGS" AND "BOND INSURANCE".

In the opinion of Bond Counsel, the Bonds are valid obligations of the District. In the opinion of Special Tax Counsel, interest on the Bonds is excludable from gross income for purposes of federal income taxation under statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on corporations. See "Legal Matters" and "Tax Matters" herein for a discussion of the opinions of Bond Counsel and Special Tax Counsel.

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

\$4,000,000

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 2016

Dated: July 14, 2016

Due: September 1, as shown on inside cover page

Interest on the Lakeside Municipal Utility District No. 3 Unlimited Tax Bonds, Series 2016 (the "Bonds") will accrue from the date of delivery, currently anticipated to be July 14, 2016, and is payable September 1, 2016 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/registrar for the Bonds is BOKF, NA, 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 scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by NATIONAL PUBLIC FINANCE GUARANTEE CORPORATION. See "BOND INSURANCE."



**MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS,
REDEMPTION PROVISIONS and CUSIP NUMBERS**
(see inside cover page)

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 of the Bonds (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 Freeman & Corbett, Austin, Texas, Bond Counsel, and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel and Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about July 14, 2016 (the "Date of Delivery") in Austin, Texas.

MATURITIES
(Due September 1)

Due	Principal Amount	Interest Rate ^(a)	Initial Reoffering Yield ^(b)	CUSIP Number ^(c)	Due	Principal Amount	Interest Rate ^(a)	Initial Reoffering Yield ^(b)	CUSIP Number ^(c)	
2016	\$ 25,000	3.000%	0.750%	512185FD6	2024 *	\$ 175,000	2.000%	2.200%	512185FM6	
2017	25,000	3.000%	1.100%	512185FE4	2025 *	175,000	2.250%	2.350%	512185FN4	
2018	25,000	3.000%	1.400%	512185FF1	2026 *	175,000	2.250%	2.500%	512185FP9	
2019	100,000	2.000%	1.500%	512185FG9	2027 *	175,000	2.500%	2.600%	512185FQ7	
2020	150,000	2.000%	1.650%	512185FH7	2028 *	175,000	2.500%	2.700%	512185FR5	
2021	150,000	2.000%	1.800%	512185FJ3	2029 *	175,000	2.500%	2.750%	512185FS3	
2022	175,000	2.000%	1.900%	512185FK0	2034 *	250,000	3.000%	3.050%	512185FX2	
2023 *	175,000	2.000%	2.000%	512185FL8	2035 *	950,000	3.000%	3.100%	512185FY0	
\$425,000 2.750% ^(a) Term Bond due September 1, 2031* Yield ^(b) 2.900% CUSIP Number 512185FU8 ^(c)										
\$500,000 3.000% ^(a) Term Bond due September 1, 2033* Yield ^(b) 3.000% CUSIP Number 512185FW4 ^(c)										

- * The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2023, in whole or from time to time in part, on September 1, 2022, 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. The Bonds maturing September 1, 2031 and September 1, 2033 (collectively, the "Term Bonds") are also subject to mandatory sinking fund 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 97.14% of par, resulting in a net effective interest rate to the District of 2.975649%.
- (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 Standard & Poor's Financial Services LLC 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. Neither the Initial Purchaser, the District, nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

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USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District.

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.

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 DISTRICT NOR THE FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

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 the inside cover page of this Official Statement at a price of 97.14% 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 or 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.

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.

MUNICIPAL BOND RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned a rating of "AA-" (stable outlook) to the Bonds, as a result of a municipal bond insurance policy issued by National Public Finance Guarantee Corporation ("National" 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 "Baa3" to the Bonds.

An explanation of the significance of a rating may be obtained from the company furnishing the rating. 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 of the market price of the Bonds.

BOND INSURANCE

The following information has been furnished by National Public Finance Guarantee Corporation ("National") for use in this Official Statement.

National does not accept any responsibility for the accuracy or completeness of any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding National and the Financial Guaranty Insurance Policy issued by National (the "Policy"). Additionally, National makes no representation regarding the Bonds or the advisability of investing in the Bonds. A specimen of the Policy is attached hereto as Appendix D.

The Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless National elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

The Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. The Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Policy also does not insure against nonpayment of principal or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

National Public Finance Guarantee Corporation

National is an operating subsidiary of MBIA Inc., a New York Stock Exchange listed company. MBIA Inc. is not obligated to pay the debts of or claims against National. National is domiciled in the State of New York and is licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico and the U.S. Virgin Islands.

The principal executive offices of National are located at 1 Manhattanville Road, Suite 301, Purchase, New York 10577 and the main telephone number at that address is (914) 765-3333.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, National is also subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for National, limits the classes and concentrations of investments that are made by National and requires the approval of policy rates and forms that are employed by National. State law also regulates the amount of both the aggregate and individual risks that may be insured by National, the payment of dividends by National, changes in control with respect to National and transactions among National and its affiliates.

The National Insurance Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of National

National's current financial strength ratings from the major rating agencies are summarized below:

Agency	Ratings	Outlook
S&P	AA-	Stable
Moody's	A3	Negative
KBRA	AA+	Stable

Each rating of National should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of National and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. National does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

Recent Litigation

In the normal course of operating its business, National may be involved in various legal proceedings. Additionally, MBIA Inc. may be involved in various legal proceedings that directly or indirectly impact National. For additional information concerning material litigation involving National and MBIA Inc., see MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, which is hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof, as well as the information posted on MBIA Inc.'s web site at <http://www.mbia.com>.

MBIA Inc. and National are defending against/pursuing the aforementioned actions and expect ultimately to prevail on the merits. There is no assurance, however, that they will prevail in these actions. Adverse rulings in these actions could have a material adverse effect on National's ability to implement its strategy and on its business, results of operations and financial condition.

Other than as described above and referenced herein, there are no other material lawsuits pending or, to the knowledge of National, threatened, to which National is a party.

National Financial Information

Based upon statutory financials, as of March 31, 2016, National had total net admitted assets of \$4.6 billion (unaudited), total liabilities of \$2.1 billion (unaudited), and total surplus of \$2.5 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning National, see the financial statements of MBIA Inc. and its subsidiaries as of December 31, 2015, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of MBIA Inc. for the year ended December 31, 2015, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Incorporation of Certain Documents by Reference

The following documents filed by MBIA Inc. with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015;

MBIA Inc.'s Quarterly Report on Form 10Q for the quarter ended March 31, 2016.

Any documents, including any financial statements of National that are included therein or attached as exhibits thereto, or any Form 8-K, filed by MBIA Inc. pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of MBIA Inc.'s most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this official statement and to be a part hereof from the respective dates of filing such documents.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this official statement, shall be deemed to be modified or superseded for purposes of this official statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this official statement.

MBIA Inc., files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of MBIA Inc.'s SEC filings (MBIA Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 and MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at MBIA Inc.'s web site at <http://www.mbia.com>; and (iv) at no cost, upon request to National at its principal executive offices.

DISCLOSURE OF GUARANTY FUND NONPARTICIPATION: In the event the Insurer is unable to fulfill its contractual obligation under this policy or contract or application or certificate or evidence of coverage, the policyholder or certificateholder is not protected by an insurance guaranty fund or other solvency protection arrangement.

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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. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

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 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 Developers The following two developers (sometimes referred to herein collectively as the "Developers") are currently active within the District: The Commons at Rowe Lane, L.P. and Rowe Lane 285, L.P.

The Commons at Rowe Lane, L.P. (the "Commons"), a Texas limited partnership comprised of: (i) Rowe Commons Corporation, a Texas corporation which serves as General Partner; (ii) CH Realty III/Rowe, L.P., a Texas limited partnership and affiliate of Crow Realty Investors, L.P.; (iii) James R. Harris, individual, as a class A limited partner; (iv) Lee Nicol, individual, as a class A limited partner; and (v) Commons Development Partners, a class B limited partner and a Texas general partnership comprised of James R. Harris, Lee Nicol, James B. Haddock and Joseph W. Straub. The Commons was formed February 7, 2005 for the purpose of acquiring and developing the property located within the boundaries of the District as the single family residential subdivision of The Commons at Rowe Lane. Land owned or developed by Commons includes the following Sections: I, II-A, II-B, II-C, III-A, III-B, IV-A and VII. See "THE DISTRICT – Current Status of Development" and "THE DEVELOPERS – Description of Developers – Commons at Rowe Lane, L.P."

Rowe Lane 285, L.P. ("Rowe Lane 285"), a Texas limited partnership, was formed on February 5, 2014 for the purpose of acquiring and developing land within the District (initially acquiring approximately 71 acres) as a portion of the single family residential subdivision of The Commons at Rowe Lane. The initial 71 acres includes the following Sections: VA, VI-A and approximately 40.957 of the remaining undeveloped but developable acreage (collectively, the "71 Acre Sections"). In October of 2015, Rowe Lane 285 purchased an additional approximately 26 acres of land consisting of the approximately 21.35 acres contemplated as Section VIII (on which preliminary construction began in January 2016 but has been delayed until certain issues (discussed more fully herein) involving Rowe Lane 285's lender and guarantor United Development Funding IV, a Maryland real estate investment trust ("UDF IV") have been more fully understood and/or resolved) and approximately 4.933 of the remaining undeveloped but developable acres (collectively, the "26 Acre Sections"). See "INVESTMENT CONSIDERATIONS – Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor," "THE DISTRICT – Current Status of Development," "THE DEVELOPERS – Description of Developers – Rowe Lane 285, L.P.," "—Acquisition and Development Financing," and "—Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor."

Rowe Lane 285 is comprised of Rowe Lane 285 GenPar, LLC, a Texas limited liability company ("285 GenPar") as its general partner and United Development Funding, L.P., a Delaware limited partnership ("UDF LP") as its sole limited partner. UDF LP is also the sole member of 285 GenPar. UDF LP consists of United Development Funding, Inc., a Delaware corporation ("UDF Inc.") as its general partner and multiple private limited partners. In a letter dated April 4, 2016 (the "April 4th Letter"), US Bank notified Rowe Lane 285 that it was denying Rowe Lane 285's loan advance request submitted on March 21, 2016 pursuant to the US Bank Loan (the "Advance Request"). US Bank stated that it was denying the Advance Request because Rowe Lane 285 had not provided certain disclosures it was required to make under the terms of the US Bank Loan. It is uncertain what affect, if any, the denial of this advance will have on Rowe Lane 285's ability to continue its development activity within the District. US Bank further stated in the April 4th Letter that there may be other conditions precedent for

further advances that may apply to the Advance Request, including, without limitation, an Event of Default under the US Bank Loan. Although such other conditions are not the subject of the April 4th Letter, US Bank stated that it may raise such other conditions after the April 4th Letter. Furthermore, in a letter dated May 6, 2016 (the "May 6th Letter"), Rowe Lane 285 and UDF IV received notice from US Bank that certain Events of Default and defaults under the US Bank Loan had occurred involving, among other things, Rowe Lane 285's failure to provide certain financial disclosures to US Bank. In the May 6th Letter, US Bank gave Rowe Lane 285 and UDF IV a 20 day period from the date of the letter to cure the Events of Default and defaults. As of the date of this Official Statement, no such cure has occurred. In the May 6th Letter, US Bank expressed its intent to pursue any available remedy, including acceleration of the US Bank Loan or foreclosure. See "INVESTMENT CONSIDERATIONS – Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor," "THE DEVELOPERS – Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor" and "—Acquisition and Development Financing – Rowe Lane 285."

In addition, Rowe Lane, LLC, a Texas limited liability company (the "Development Consultant"), is providing development management services to Rowe Lane 285. The Development Consultant is comprised of (i) James R. Harris, individual, as a member and manager; and (ii) Joseph W. Straub, individual, as a member and manager. The Development Consultant is providing consulting services only and will not be a signatory to any contracts relating to development involving Rowe Lane 285 within the District and will not be entitled to receive any bond proceeds relating to development involving Rowe Lane 285 within the District; however, James R. Harris and Joseph W. Straub are entitled to receive bond proceeds relating to development within the District through their affiliation with Commons. See "INVESTMENT CONSIDERATIONS – Certain Legal Investigations into Rowe Lane 285's lender and Guarantor" and "THE DEVELOPERS – Description of Developers – Rowe Lane 285, L.P.," Acquisition and Development Financing" and "—Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor."

The property within the District owned by Rowe Lane 285 was valued by the Travis Central Appraisal District ("TCAD") and Williamson Central Appraisal District ("WCAD") in 2015 at \$653,376, which equates to a 2015 tax bill of \$5,534. Should Rowe Lane 285 cease to pay ad valorem taxes on land owned within the District and/or cease development within the District for any reason, the District currently projects the ability to maintain its overall 2015 tax rate level of \$0.8470, assuming no other materially adverse change to the District's tax base. See "TAX DATA – Principal Taxpayers – Table 12."

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 May 11, 2016, approximately 211 acres (or 82.16% of the approximately 257 developable acres within the District) have been developed with utility facilities as the single family residential subdivision The Commons at Rowe Lane, Section I (66.36 acres, platted as 180 single family lots), Section II-A (14.14 acres, platted as 46 single family lots), Section II-B (20.45 acres; platted as 61 single family lots), Section II-C (9.74 acres; platted as 45 single family lots), Section III-A (13.77 acres; platted as 50 single family lots), Section III-B (24.50 acres; platted as 38 single family lots), Section IV-A (17.42 acres; platted as 65 single family lots), Section V-A (14.10 acres; platted as 57 single family lots), Section VI-A (14.04 acres; platted as 55 single family lots), and Section VII (21.51 acres; platted as 61 single family lots), encompassing a total of 658 single family lots, which includes 560 completed homes, 32 homes under construction (of which 19 are under contract to a homebuyer), and 66 vacant single family lots. Preliminary construction of the utility facilities to serve Section VIII (21.35 acres; platted as 92 single family lots) began in January 2016 but has been delayed until certain legal issues involving Rowe Lane 285's lender and guarantor UDF IV have been more fully understood and/or resolved. See "INVESTMENT CONSIDERATIONS – Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor" and "THE DEVELOPERS – Description of Developers – Rowe Lane 285, L.P.," "Acquisition and Development Financing" and "— Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor." Development within 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. See "THE DISTRICT – Current Status of Development."

Homebuilders According to the Developers, there are currently two homebuilders active within the District: Gehan Homes, Ltd. ("Gehan") and The Brohn Group, LLC, d/b/a Brohn Homes ("Brohn"). The Developers have also represented that the homes within the District are being constructed on two lot sizes (55' and 65') and range in price from \$245,990 to \$359,990, with square footage ranging from 1,793 to 3,993. See "THE DEVELOPERS."

THE BONDS

Description.....	The Bonds in the aggregate principal amount of \$4,000,000 mature serially in varying amounts on September 1 of each year from 2016 through 2029, 2034, and 2035, and as Term Bonds which mature September 1, 2031 and September 1, 2033, as set forth on the inside cover page of this Official Statement.. 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, 2016 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, 2023, in whole or from time to time in part, on September 1, 2022, 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. The Bonds maturing September 1, 2031 and September 1, 2033 are also subject to mandatory sinking fund 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 sixth installment of new money bonds issued by the District. The District has also issued one installment of refunding bonds. The District has never defaulted on the timely payment of principal and interest on its outstanding bonds entitled “\$1,675,000 Lakeside Municipal Utility District No. 3 Unlimited Tax Bonds, Series 2008” (the “Series 2008 Bonds”); “\$1,325,000 Lakeside Municipal Utility District No. 3 Unlimited Tax Bonds, Series 2010” (the “Series 2010 Bonds”); “\$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”), and “\$2,000,000 Lakeside Municipal Utility District No. 3 Unlimited Tax Bonds, Series 2014” (the “Series 2014 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.”
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.....	The proceeds of the Bonds will be used to finance the District’s share of the costs for the following projects: (i) water and wastewater impact fees for The Commons at Rowe Lane Phases VI-A and VII; (ii) engineering expenses for The Commons at Rowe Lane Phases V-A, VI-A, and VII; and (iii) water, wastewater, and drainage facilities serving The Commons at Rowe Lane, Phases V-A, VI-A and VII. In addition, proceeds of the Bonds will be used to: (i) capitalize approximately twenty-four months’ interest requirements on the Bonds; (ii) pay developer interest, and (iii) pay certain costs associated with the issuance of the Bonds. SEE “USE AND DISTRIBUTION OF BOND PROCEEDS.”
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 \$12,975,000 in bonds and will have \$42,525,000 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.” 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” 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”) has assigned a rating of “AA-” (stable outlook) to the Bonds, as a result of a municipal bond insurance policy issued by National Public Finance Guarantee Corporation (“National” 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 “Baa3” to the Bond.
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 2016 is not reasonably expected to exceed \$10,000,000. See “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions.”
Bond Counsel	Freeman & Corbett, Austin, Texas.
Special Tax Counsel.....	McCall, Parkhurst & Horton L.L.P., Dallas, Texas.
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 risk factors and all prospective purchasers are urged to examine carefully the Official Statement, including particularly the section captioned “INVESTMENT CONSIDERATIONS,” with respect to the investment security of the Bonds.

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SELECTED FINANCIAL INFORMATION
(Unaudited)

2015 Certified Assessed Valuation		\$118,878,264 ^(a)
2016 Preliminary Assessed Valuation		151,301,379 ^(b)
Gross Debt Outstanding (after issuance of the Bonds)		\$ 12,630,000 ^(c)
Ratio of Gross Debt to 2015 Certified Assessed Valuation		10.62%
Ratio of Gross Debt to 2016 Preliminary Assessed Valuation		8.35%
2015 Tax Rate		
	Debt Service	\$ 0.4363
	Maintenance	<u>0.4107</u>
	Total 2015 Tax Rate	<u>\$ 0.8470</u> ^(d)
Debt Service Fund Balance (as of June 8, 2016)		\$ 639,222 ^(e)
Percentage of current tax collections (Tax Years 2006-2015)		99.44% ^(f)
Percentage of total tax collections (Tax Years 2006-2015)		99.97% ^(f)
Average Annual Debt Service Requirement of the Bonds and Outstanding Bonds ("Average Requirement") (2016-2035, inclusive)		\$ 889,459
Tax Rate required to pay Average Requirement based upon 2015 Certified Assessed Valuation at 95% collections		\$ 0.79 /\$100 AV ^(g)
Tax Rate required to pay Average Requirement based upon 2016 Preliminary Assessed Valuation at 95% collections		\$ 0.62 /\$100 AV ^(g)
Maximum Annual Debt Service Requirement of the Bonds and Outstanding Bonds ("Maximum Requirement") (2034)		\$ 985,469
Tax Rate required to pay Maximum Requirement based upon 2015 Certified Assessed Valuation at 95% collections		\$ 0.88 /\$100 AV ^(g)
Tax Rate required to pay Maximum Requirement based upon 2016 Preliminary Assessed Valuation 95% collections		\$ 0.69 /\$100 AV ^(g)
Number of active connections as of May 15, 2016		
Single Family - Occupied	547	
Single Family - Vacant	13	
Single Family - Builder	<u>32</u>	
	Total Number of Active Connections	592
Estimated Population as of May 15, 2016		1,915 ^(h)

- (a) Assessed valuation of the District as of January 1, 2015, as certified by the Williamson Central Appraisal District ("WCAD") and the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."
- (b) 2016 Preliminary Assessed Valuation, as provided by TCAD (and added to the certified assessed valuation as of January 1, 2015, provided by WCAD), is included solely for purposes of illustration. No taxes will be levied on this assessed value unless it is certified by TCAD and WCAD.
- (c) Includes the Bonds.
- (d) The District levied a 2015 tax rate of \$0.8470 at its meeting in September 2015.
- (e) Unaudited as of June 8, 2016. Does not include approximately twenty-four months' capitalized interest (\$238,052) 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) The property within the District owned by Rowe Lane 285 was valued by TCAD and WCAD in 2015 at \$653,376, which equates to a 2015 tax bill of \$5,534. Should Rowe Lane 285 cease to pay ad valorem taxes on land owned within the District and/or cease development within the District for any reason, the District currently projects the ability to maintain its overall 2015 tax rate level of \$0.8470, assuming no other materially adverse change to the District's tax base. See "TAX DATA – Principal Taxpayers – Table 12."
- (h) Based upon 3.5 residents per occupied single family home.

**OFFICIAL STATEMENT
relating to**

\$4,000,000

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 2016

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Lakeside Municipal Utility District No. 3 (the "District") of its \$4,000,000 Unlimited Tax Bonds, Series 2016 (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 Resolution.

Included in this Official Statement are descriptions of the Bonds and certain information about the District, its finances and the Developers. 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, 7004 Bee Cave Road, Building 3, Suite 315, Austin, 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 the inside cover page hereof and will mature on September 1 of the years and in the principal amounts set forth on the inside cover page hereof. Interest on the Bonds will be paid on September 1, 2016, 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 BOKF, NA, 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, 2023, in whole or from time to time in part, on September 1, 2022, 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.

Mandatory Sinking Fund Redemption . . . In addition to being subject to optional redemption, as provided above, the Bonds maturing on September 1, 2031, and September 1, 2033, are subject to mandatory sinking fund redemption prior to maturity by lot in the following amounts, on the following dates and at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Debt Service Fund:

\$425,000 Term Bond Maturing September 1, 2031	
Mandatory	
Redemption	Principal
<u>Date</u>	<u>Amount</u>
2030	\$200,000
2031*	225,000

\$500,000 Term Bond Maturing September 1, 2033	
Mandatory	
Redemption	Principal
<u>Date</u>	<u>Amount</u>
2032	\$250,000
2033*	250,000

* Stated Maturity

The principal amount of the Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Bonds of the stated maturity which, at least 50 days prior to a mandatory redemption date: (1) shall have been acquired by the District, at a price not exceeding the principal amount of such Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent for cancellation, (2) shall have been purchased and cancelled by the Paying Agent at the request of the District, with monies in the Debt Service Fund at a price not exceeding the principal amount of the Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

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.

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 \$12,975,000 in bonds and will have \$42,525,000 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 sixth installment of new money bonds issued by the District. The District has also issued one installment of refunding bonds. The District has never defaulted on the timely payment of principal and interest on its outstanding bonds entitled "\$1,675,000 Lakeside Municipal Utility District No. 3, Unlimited Tax Bonds, Series 2008" (the "Series 2008 Bonds"); "\$1,325,000 Lakeside Municipal Utility District No. 3, Unlimited Tax Bonds, Series 2010" (the "Series 2010 Bonds"); "\$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”), and “\$2,000,000 Lakeside Municipal Utility District No. 3 Unlimited Tax Bonds, Series 2014” (the “Series 2014 Bonds” and 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 creation, establishment and maintenance by the District of, a Capital Projects Fund and a Debt Service Fund for the Bonds. The Bond Resolution requires that the District deposit to the credit of the Debt Service Fund (1) from the delivery of the Bonds to the Initial Purchaser, the amount received from proceeds of the Bonds representing capitalized interest on the Bonds, (2) 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 (3) such other funds as the Board shall, at its option, deem advisable. The Bond Resolution 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 the Paying Agent when due.

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.

Paying Agent/Registrar

Principal of and semiannual interest on the Bonds will be paid by BOKF, NA, having its office for payment in Austin, Texas, the initial Paying Agent/Registrar (the "Paying Agent" or "Paying Agent/Registrar"). The 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 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.

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 \$12,975,000 in bonds and \$42,525,000 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 \$42,525,000 remaining authorized but unissued pursuant to the November 8, 2005 bond election plus the \$3,975,000 of unlimited tax bonds for parks and recreational facilities. 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, so it rests with 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 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 State 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 within the extraterritorial jurisdiction of the City of Pflugerville, Texas. Under State law, without the consent of a district, the City of Pflugerville cannot annex territory within a district unless it annexes the entire district. If the City of Pflugerville does annex the District, the City of Pflugerville will assume the District's assets and obligations (including the debt service on the Bonds) and dissolve the District. Annexation of territory by the City of Pflugerville is a policy-making matter within the discretion of the City Council of the City of Pflugerville and therefore, the District makes no representation that the City of Pflugerville will ever annex and dissolve the District and assume its debt.

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 February 12, 2016 (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 S&P rating of AA+. 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 and wastewater impact fees for The Commons at Rowe Lane Phases VI-A and VII; (ii) engineering expenses for The Commons at Rowe Lane Phases V-A, VI-A, and VII; and (iii) water, wastewater, and drainage facilities serving The Commons at Rowe Lane, Phases V-A, VI-A and VII. In addition, proceeds of the Bonds will be used to: (i) capitalize approximately twenty-four months’ interest requirements on the Bonds; (ii) pay developer interest; and (iii) 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, \$3,174,988 is required for construction costs, and \$825,012 is required for non-construction costs, including \$238,052 of capitalized interest (approximately 24 months of interest at an interest rate of 2.975649%). See “Comprehensive Development Agreement” regarding the reimbursement of bond proceeds to the Developers.

Construction Costs	
A. Developer Contribution Items	
1. The Commons at Rowe Lane, Phase V-A W, WW, D	\$ 684,271
2. The Commons at Rowe Lane, Phase VI-A W & WW	613,250
3. The Commons at Rowe Lane, Phase VII W, WW, D	806,451
4. Engineering Fees	549,904
Total Developer Contribution Items	\$ 2,653,876
B. District Items	
1. The Commons at Rowe Lane, Phase IV-A Water Impact Fees (55 @ \$2,800)	\$ 154,000
2. The Commons at Rowe Lane, Phase IV-A Wastewater Impact Fees (65 @ \$2,414)	156,910
3. The Commons at Rowe Lane, Phase VII Water Impact Fees (38 @ \$2,800)	106,400
4. The Commons at Rowe Lane, Phase VII Wastewater Impact Fees (43 @ \$2,414)	103,802
Total District Items	\$ 521,112
Total Construction Costs	\$ 3,174,988
Non-Construction Costs	
A. Legal fees	\$ 115,000
B. Financial Advisor Fees (2%)	80,000
C. Interest Costs	
1 Capitalized Interest (24 months @ 2.975649%)	238,052
2 Developer Interest ^(a)	108,733
D. Bond Discount (2.86%)	114,367
E. Bond Issuance Expenses	33,000
F. Bond Application Report	34,279
G. Attorney General Fee (0.10%)	4,000
H. TCEQ Bond Issuance Fee (0.25%)	10,000
I. Contingency ^(b)	87,581
Total Non-Construction Costs	\$ 825,012
TOTAL BOND ISSUE REQUIREMENT	<u>\$ 4,000,000</u>

(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.

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.”

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 2015 Certified Assessed Valuation of the District is \$118,878,264. After issuance of the Bonds, the Maximum Requirement will be \$985,469 (2034) and the Average Requirement will be \$889,459 (2016 through 2035, inclusive). Assuming (1) no increase or decrease from the 2015 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 \$0.88 and \$0.79 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 2016 Preliminary Assessed Valuation is \$151,301,379. Based upon the assumptions above, tax rates of \$0.69 and \$0.62 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” and “TAX DATA - Tax Adequacy for Debt Service.”

Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor

United Development Funding IV, a Maryland real estate investment trust ("UDF IV"), has provided acquisition and development financing for, and guarantees of commercial bank loans on behalf of, Rowe Lane 285. As described more in "THE DEVELOPERS – Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor," UDF IV has confirmed that it is being investigated by law enforcement authorities. The eventual outcome of such investigations, and the financial condition of UDF IV generally, may impact UDF IV's ability to act as a lender to Rowe Lane 285 or its viability as a guarantor of the Commerce Revolving Loan and the US Bank Loan. See "THE DEVELOPERS – Acquisition and Development Financing – Rowe Lane 285." As guarantor, a material adverse change in the financial condition of UDF IV may trigger an event of default under both the Commerce Revolving Loan and the US Bank Loan, allowing each bank to pursue certain remedies against Rowe Lane 285, including acceleration of the payment of outstanding principal and interest on the loans and/or foreclosure on all land and contract rights securing each respective loan. In all such cases, an event of default may impact the financial condition of Rowe Lane 285 and impair continued development by Rowe Lane 285 of its land within the District. The District gives no assurance nor makes any representation regarding the status of any investigation into UDF IV or the present or future financial condition or legal status of UDF IV or Rowe Lane 285. See "THE DEVELOPERS – Description of Developers – Rowe Lane 285, L.P.," "— Acquisition and Development Financing" and "—Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor."

As of May 11, 2016, approximately 211 acres or 82.16% of the approximately 257.26 developable acres within the District have been developed with utility facilities. Rowe Lane 285 owns approximately 21.35 acres or 8.30% of the approximately 257.26 developable acres within the District, on which preliminary construction of utility facilities was begun in January 2016 but has been delayed until certain issues involving UDF IV have been more fully understood and/or resolved. See "THE DEVELOPERS – Description of Developers – Rowe Lane 285, L.P.," "—Acquisition and Development Financing" and "—Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor." Rowe Lane 285 also owns 62 lots which are under contract for purchase by homebuilders but still owned by Rowe Lane 285 and approximately 45.89 acres that are undeveloped but developable (17.84% of the approximately 257.26 developable acres within the District). According to Rowe Lane 285, it has received a non-binding letter of intent dated March 29, 2016, from a national homebuilder regarding the potential purchase and sale of this undeveloped but developable acreage. However, the District gives no assurances nor makes any representations as to whether any such purchase and sale will ever be consummated. See "THE DISTRICT – Current Status of Development." The District gives no assurance nor makes any representation that there will be any continued or future development within the District.

The property within the District owned by Rowe Lane 285 was valued by TCAD and WCAD in 2015 at \$653,376, which equates to a 2015 tax bill of \$5,534. Should Rowe Lane 285 cease to pay ad valorem taxes on land owned within the District and/or cease development within the District for any reason, the District currently projects the ability to maintain its overall 2015 tax rate level of \$0.8470, assuming no other materially adverse change to the District's tax base. See "TAX DATA – Principal Taxpayers – Table 12."

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 becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. However, in the event of any earlier due date of such principal by reason of mandatory or optional redemption, 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 redemption. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional redemption of the Bonds which is recovered by the District from the owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the bond insurer (the "Bond Insurer") at such time and in such amounts as would have been due absent such redemption by the District 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 without appropriate consent. The Bond Insurer may direct and must consent to any remedies that the Paying Agent exercises and the Bond Insurer's consent may be required in connection with amendments to the Bond Order.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received by the Paying Agent pursuant to the Bond Order. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its ability to pay claims which is predicated upon a number of factors that 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 and such event could adversely affect the market price of the Bonds.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the Paying Agent may be limited by applicable bankruptcy law or other similar laws related to insolvency. No independent investigation into the ability of the Bond Insurer to pay claims has been made and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given.

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.

There has been little judicial determination of the validity of the provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain recent federal court decisions have held that the FDIC is not liable for statutory penalties and interest authorized by State property tax law, and that although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC, and no liens for penalties, fines, interest, attorney's fees, costs of abstract and research fees exist against the real property for the failure of the FDIC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent that the FIRREA provisions are valid and applicable to any property in the District, and 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.

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.

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 \$42,525,000 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 \$42,525,000 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 continue to owe the Developer approximately \$1,713,953 plus interest, which the District intends to pay out of future bond issuances.

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 February 12, 2016 (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.

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.

Tax Exempt Property – Strategic Housing Finance Corporation of Travis County

Within the District there is the potential for property to be owned by the Strategic Housing Finance Corporation of Travis County ("SHFC"), a public nonprofit housing finance corporation established in 2004 pursuant to Chapter 394 of the Texas Local Government Code (the "Texas Housing Finance Corporations Act"). SHFC operates a lease-to-purchase affordable housing program for low to moderate income families in Travis County that was initially financed with the proceeds of \$35 million in Lease Purchase Revenue Bonds issued by SHFC in 2004. Pursuant to the program as currently structured by SHFC, low to moderate income families in Travis County pay a fee to SHFC which purchases a home and leases it back to the family for a period of thirty nine (39) months. Under the Texas Housing Finance Corporations Act, all property owned by a nonprofit housing finance corporation, such as SHFC, is tax exempt, therefore during the thirty nine (39) month term of the lease during which SHFC owns the home, that property is removed from the tax rolls of the District. If the tenant vacates the property or cannot afford to assume the mortgage at the end of the lease term, then the property may remain tax exempt indefinitely. Presently, there are no homes within the District that are owned by SHFC and have been removed from the tax rolls. Because the SHFC program is between itself and an individual resident, the District cannot make any projection regarding the future impact the SHFC program may have on its taxable appraised values. It is not known whether SHFC will seek additional funding for its program in the future or alter the terms and leasing arrangements at which it offers homes through its programs. Additionally, taxable appraised values may also be adversely affected if similar lease-to-purchase affordable housing programs are instituted by other corporations created under the Texas Housing Finance Corporations Act.

Future and Proposed Legislation

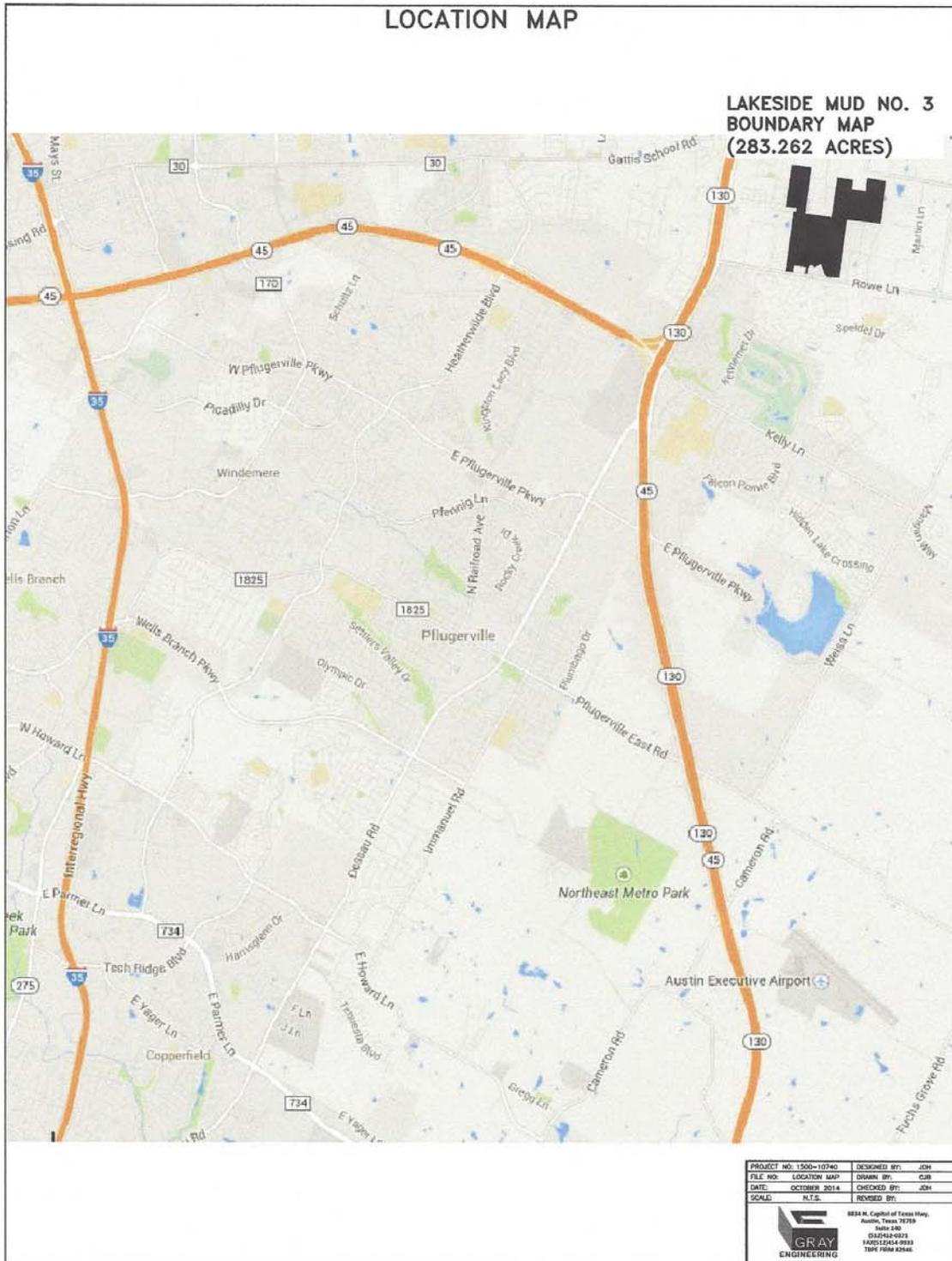
Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal 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.

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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 partially 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>
Tom Corbett	President	2018	11 Years
Michael Zeniecki	Vice President	2016	8 Years
David Cotton	Secretary	2016	2 Years
J.D. Scott	Treasurer	2018	2 Years
Laura Olszeski	Assistant Secretary/Treasurer	2016	4 Months

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 53 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 Counsel... The District has engaged Freeman & Corbett, Austin, Texas, as Bond Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds.

Special Tax Counsel and Disclosure Counsel... The District has engaged McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as Special Tax Counsel, and McCall, Parkhurst & Horton L.L.P., Austin, Texas, as Disclosure Counsel, in connection with the issuance of the District's Bonds. The fees of Special Tax Counsel 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 May 11, 2016, the development in the District consists of 658 developed single family lots, which includes 560 completed homes, 32 homes under construction (of which 19 are under contract to a homebuyer), and 66 vacant single family lots. Additionally, preliminary construction of utility facilities to serve Section VIII (approximately 21.35 acres; platted as 92 single-family lots) began in January 2016 but has been delayed until certain issues involving UDF IV have been more fully understood and/or resolved. See "INVESTMENT CONSIDERATIONS – Certain Legal Investigations into Rowe Lane 285’s Lender and Guarantor" and "THE DEVELOPERS – Description of Developers – Rowe Lane 285, L.P.," "Acquisition and Development Financing" and "—Certain Legal Investigations into Rowe Lane 285’s Lender and Guarantor." 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, Section I ^(a)	40.36	180	180	0	0
The Commons at Rowe Lane, Section II-A	14.14	46	46	0	0
The Commons at Rowe Lane, Section II-B	20.45	61	61	0	0
The Commons at Rowe Lane, Section II-C	9.74	45	45	0	0
The Commons at Rowe Lane, Section III-A	13.77	50	50	0	0
The Commons at Rowe Lane, Section III-B	24.50	38	32	6	0
The Commons at Rowe Lane, Section IV-A	17.42	65	65	0	0
The Commons at Rowe Lane, Section V-A ^(b)	14.10	57	11	13	33
The Commons at Rowe Lane, Section VI-A ^(b)	14.04	55	19	3	33
The Commons at Rowe Lane, Section VII	<u>21.51</u>	<u>61</u>	<u>51</u>	<u>10</u>	<u>0</u>
<i>subtotal</i>	190.02	658	560	32	66
B. Section with Preliminary Construction					
The Commons at Rowe Lane, Section VIII ^{(b)(c)}	<u>21.35</u>	92			
<i>subtotal</i>	21.35				
C. Total Developed with Utilities or Under Construction	211.37				
D. Remaining Developable Acreage ^(b)	45.89 ^(d)				
E. Undevelopable Acreage					
Floodplain	<u>26.00</u>				
Total	283.26				

(Footnotes appear on following page)

-
- (a) Includes an amenity center on approximately 2.6 acres.
 - (b) Includes land owned or developed by Rowe Lane 285, with acquisition and development financing provided, in part, by United Development Funding IV, a Maryland real estate investment trust. See "INVESTMENT CONSIDERATIONS – Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor" and "THE DEVELOPERS – Description of Developers – Rowe Lane 285, L.P.," "Acquisition and Development Financing" and "—Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor."
 - (c) Preliminary construction of utility facilities to serve Section VIII (approximately 21.35 acres; platted as 92 single-family lots) began in January 2016 but has been delayed until certain issues involving UDF IV have been more fully understood and/or resolved. See "INVESTMENT CONSIDERATIONS – Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor" and "THE DEVELOPERS – Description of Developers – Rowe Lane 285, L.P.," "Acquisition and Development Financing" and "—Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor."
 - (d) According to Rowe Lane 285, it has received a non-binding letter of intent dated March 29, 2016, from a national homebuilder regarding the potential purchase and sale of this undeveloped but developable acreage. However, the District gives no assurances nor makes any representations as to whether any such purchase and sale will ever be consummated.

Future Development

The District contains approximately 45.89 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 Developers should be sufficient to reimburse the Developers 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 Developers are 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.

*According to Rowe Lane 285, it has received a non-binding letter of intent dated March 29, 2016, from a national homebuilder regarding the potential purchase and sale of this undeveloped but developable acreage. However, the District gives no assurances nor makes any representations as to whether any such purchase and sale will ever be consummated.

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 Developers 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 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 DEVELOPERS

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 Developers

The following two developers (sometimes referred to herein collectively as the "Developers") are currently active within the District.

The Commons at Rowe Lane, L.P.

The Commons at Rowe Lane, L.P. (the "Commons"), a Texas limited partnership comprised of: (i) Rowe Commons Corporation, a Texas corporation which serves as General Partner; (ii) CH Realty III/Rowe, L.P., a Texas limited partnership and affiliate of Crow Realty Investors, L.P.; (iii) James R. Harris, individual, as a class A limited partner; (iv) Lee Nicol, individual, as a class A limited partner; and (v) Commons Development Partners, a class B limited partner and a Texas general partnership comprised of James R. Harris, Lee Nicol, James B. Haddock and Joseph W. Straub. The Commons was formed February 7, 2005 for the purpose of acquiring and developing the property located within the boundaries of the District as the single family residential subdivision of The Commons at Rowe Lane. Land owned or developed by Commons includes the following Sections: I, II-A, II-B, II-C, III-A, III-B, IV-A and VII. See "THE DISTRICT – Current Status of Development."

Rowe Lane 285, L.P.

Rowe Lane 285, L.P. ("Rowe Lane 285"), a Texas limited partnership. Rowe Lane 285 was formed on February 5, 2014 for the purpose of acquiring and developing land within the District (initially acquiring approximately 71 acres) within the District as a portion of the single family residential subdivision of The Commons at Rowe Lane. The initial 71 acres includes the following Sections: VA, VI-A and approximately 40.957 of the remaining undeveloped but developable acreage (collectively, the "71 Acre Sections"). In October of 2015, Rowe Lane 285 purchased an additional approximately 26 acres of land consisting of the approximately 21.35 acres contemplated as Section VIII (on which preliminary construction of utility facilities began in January 2016 but has been delayed until certain issues involving Rowe Lane 285's lender and guarantor, UDF IV, have been more fully understood and/or resolved) and approximately 4.933 of the remaining undeveloped but developable acres (collectively, the "26 Acre Sections"). See "INVESTMENT CONSIDERATIONS – Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor," "THE DISTRICT – Current Status of Development" and "THE DEVELOPERS – Acquisition and Development Financing" and "—Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor.

Rowe Lane 285 is comprised of Rowe Lane 285 GenPar, LLC, a Texas limited liability company ("285 GenPar") as its general partner and United Development Funding, L.P., a Delaware limited partnership ("UDF LP") as its sole limited partner. UDF LP is also the sole member of 285 GenPar. UDF LP consists of United Development Funding, Inc., a Delaware corporation ("UDF Inc.") as its general partner and multiple private limited partners. In a letter dated April 4, 2016 (the "April 4th Letter"), US Bank notified Rowe Lane 285 that it was denying Rowe Lane 285's loan advance request submitted on March 21, 2016 pursuant to the US Bank Loan (the "Advance Request"). US Bank stated that it was denying the Advance Request because Rowe Lane 285 had not provided certain disclosures it was required to make under the terms of the US Bank Loan. It is uncertain what affect, if any, the denial of this advance will have on Rowe Lane 285's ability to continue its development activity within the District. US Bank further stated in the April 4th Letter that there may be other conditions precedent for further advances that may apply to the Advance Request, including, without limitation, an Event of Default under the US Bank Loan. Although such other conditions are not the subject of the April 4th Letter, US Bank stated that it may raise such other conditions after the April 4th Letter. Furthermore, in a letter dated May 6, 2016 (the "May 6th Letter"), Rowe Lane 285 and UDF IV received notice from US Bank that certain Events of Default and defaults under the US Bank Loan had occurred involving, among other things, Rowe Lane 285's failure to provide certain financial disclosures to US Bank. In the May 6th Letter, US Bank gave Rowe Lane 285 and UDF IV a 20 day period from the date of the letter to cure the Events of Default and defaults. As of the date of this Official Statement, no such cure has occurred. In the May 6th Letter, US Bank expressed its intent to pursue any available remedy, including acceleration of the US Bank Loan or foreclosure. See "INVESTMENT

CONSIDERATIONS – Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor," "THE DEVELOPERS – Acquisition and Development Financing" and "– Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor."

In addition, Rowe Lane, LLC, a Texas limited liability company (the "Development Consultant"), is providing development management services to Rowe Lane 285. The Development Consultant is comprised of (i) James R. Harris, individual, as a member and manager; and (ii) Joseph W. Straub, individual, as a member and manager. The Development Consultant is providing consulting services only and will not be a signatory to any contracts relating to development involving Rowe Lane 285 within the District and will not be entitled to receive any bond proceeds relating to development involving Rowe Lane 285 within the District; however, James R. Harris and Joseph W. Straub are entitled to receive bond proceeds relating to development within the District through their affiliation with Commons.

The Developers are not responsible for, liable for, and have not made any commitment for payment of the Bonds or other obligations of the District. The Developers have 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 their property within the District, or any other assets, at any time. Further, the Developers' financial condition is subject to change at any time. The District gives no assurance nor makes any representation that there will be any continued or future development within the District. See "INVESTMENT CONSIDERATIONS – Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor."

Acquisition and Development Financing

Commons

The Commons executed and/or took assignment and assumption of various agreements related to the purchase of various tracts of land totaling approximately 223 acres which included approximately 212 of the approximately 283 acres within the boundaries of the District. To date, the Commons has acquired all of such acreage pursuant to such purchase agreements, including the 212 acres within the boundaries of the District, which acquisitions were financed with a combination of partner cash contributions and the Legacy Revolving Loan (defined below).

Of the 223 acres which have been purchased by the Commons, approximately 26 acres were sold to Rowe Lane 285 in October of 2015, as discussed more fully below. The approximately 97 acres within the District not currently owned by the Commons are now owned by Rowe Lane 285. The Development Consultant is providing development services to develop these approximately 97 acres into single family lots. See "THE DEVELOPERS – Acquisition and Development Financing – Rowe Lane 285."

The Commons commenced construction of water distribution, wastewater collection and storm drainage facilities, as well as street paving to serve land within the District in November 2005. The development of The Commons at Rowe Lane, Sections I, II-A, II-B, II-C, III-A, III-B, IV-A and VII has been accomplished through cash contributions from the partners of the Commons. Additionally, the Commons has paid cash for the construction of an approximately 7,500 square foot amenity center which includes an adult pool, a children's pool, volleyball court, sport court, playground, park and hike and bike trails. The Commons has also informed the District that its line of credit with Legacy Texas Bank, Plano, Texas, used to help finance earlier development within the District, was fully repaid in October 2015.

Rowe Lane 285

Acquisition and Development of 71 Acres Acquired in February, 2014

In February, 2014, the Development Consultant acquired approximately 71 acres from a third party. The Development Consultant simultaneously sold these 71 acres (the "71 Acres") to Rowe Lane 285. To finance its acquisition of the 71 Acres, Rowe Lane 285 obtained (i) a seller-financed loan from the Development Consultant in the original principal amount of \$3,525,000, which loan has been repaid, and (ii) a loan from United Development Funding IV, a Maryland real estate investment trust ("UDF IV") in the maximum amount of \$7,457,000, which was subordinate to the Development Consultant Loan.

To finance development of the 71 Acres (as the 71 Acre Sections), Rowe Lane 285 also obtained a non-recourse revolving line of credit from Commerce National Bank, Austin, Texas, in the maximum principal amount of up \$6,000,000 outstanding at any one time, which is scheduled to mature on July 18, 2018 (the "Commerce Revolving Loan"); provided, however, that the maximum amount of the Commerce Revolving Loan shall be reduced to \$5,000,000 as of July 18, 2016, and further reduced to \$4,000,000 as of July 18, 2017. If amounts are drawn from the Commerce Revolving Loan, the interest rate will be the U.S. Prime Rate plus 1% or 5.50%, whichever is greater. Interest on the Commerce Revolving Loan will be due monthly and principal is due from funds of the release of lots pursuant to lot sales and receipt of District bond proceeds. Rowe Lane 285 has further informed the District that the financing to continue development within the District for future phases will be paid from a combination of continuing lot sales, reimbursements received from proceeds of bonds and/or proceeds from the Commerce Revolving Loan.

Both the Commerce Revolving Loan and the 2014 UDF Loan (described above) were secured by the 71 Acres and Rowe Lane 285's collateral assignment of certain of its development-related contract rights, including rights to reimbursement from District bond proceeds. UDF IV subordinated its 2014 UDF Loan to the Commerce Revolving Loan and also guaranteed payment of the Commerce Revolving Loan. Pursuant to the terms of the Commerce Revolving Loan, among other events, a material adverse change in the financial condition of either Rowe Lane 285, as borrower, or UDF IV, as guarantor, could trigger an event of default under the Commerce Revolving Loan, allowing Commerce Bank to pursue certain remedies against Rowe Lane 285, including acceleration of the payment of outstanding principal and interest on the Commerce Revolving Loan and/or foreclosure on both the land and the collaterally assigned contract rights. In all cases, an event of default may impact the financial condition of Rowe Lane 285 and may impair continued development by Rowe Lane 285 of its land within the District.

According to information provided by the developer, as of March 31, 2016, \$4,071,400.19 and \$5,172,044.12 remain outstanding on the Commerce Revolving Loan and the 2014 UDF Loan, respectively. See "INVESTMENT CONSIDERATIONS – Certain Legal Investigation into Rowe Lane 285's Lender and Guarantor" and "THE DEVELOPERS – Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor."

Acquisition and Development of 26 Acres Acquired in October of 2015

In October of 2015, Rowe Lane 285 acquired an additional approximately 26 acres (the "26 Acres") in the District from the Commons. The acquisition and projected future development of the 21.35 acre portion of the 26 Acres contemplated as Section VIII (on which preliminary construction of utility facilities began in January 2016, but has been delayed until certain issues involving Rowe Lane 285's lender and guarantor UDF IV have been more fully understood and/or resolved) is being financed by a non-revolving loan from U.S. Bank National Association d/b/a Housing Capital Company ("US Bank") in the maximum principal amount of \$3,697,500 that is scheduled to mature on October 8, 2017 (the "US Bank Loan"). If amounts are drawn on the US Bank Loan, the interest rate will be 30-day LIBOR rate plus 4.00% or 4.00%, whichever is greater. Interest on the US Bank Loan will be due monthly and principal is due from funds of the release of lots pursuant to lot sales and receipt of District bond proceeds. Additionally, to finance the acquisition and development of the 26 Acres, Rowe Lane 285 also obtained a loan from UDF IV, subordinate to the US Bank Loan, in the principal amount of \$2,251,760 (the "2015 UDF Loan"). The US Bank Loan is secured by the 21.35 acres comprising Section VIII, and the UDF Loan was secured by all of the 26 Acres. Additionally, both loans were further secured by Rowe Lane 285's collateral assignment of certain of its development-related contract rights, including rights to reimbursement from District bond proceeds. UDF IV also guaranteed payment of the US Bank Loan. Pursuant to the terms of the US Bank Loan, among other events, a material adverse change in the financial condition of either Rowe Lane 285, as borrower, or UDF IV, as guarantor, could trigger an event of default under the US Bank Loan, allowing US Bank to pursue certain remedies against Rowe Lane 285, including acceleration of the payment of outstanding principal and interest on the US Bank Loan and/or foreclosure on the land and the collaterally assigned contract rights.

In a letter dated April 4, 2016 (the "April 4th Letter"), US Bank notified Rowe Lane 285 that it was denying Rowe Lane 285's loan advance request submitted on March 21, 2016 pursuant to the US Bank Loan (the "Advance Request"). US Bank stated that it was denying the Advance Request because Rowe Lane 285 had not provided certain disclosures it was required to make under the terms of the US Bank Loan. It is uncertain what affect, if any, the denial of this advance will have on Rowe Lane 285's ability to continue its development activity within the District. US Bank further stated in the April 4th Letter that there may be other conditions precedent for further advances that may apply to the Advance Request, including, without limitation, an Event of Default under the US Bank Loan. Although such other conditions are not the subject of the April 4th Letter, US Bank stated that it may raise such other conditions after the April 4th Letter. Furthermore, in a letter dated May 6, 2016 (the "May 6th Letter"), Rowe Lane 285 and UDF IV received notice from US Bank that certain Events of Default and defaults under the US Bank Loan had occurred involving, among other things, Rowe Lane 285's failure to provide certain financial disclosures to US Bank. In the May 6th Letter, US Bank gave Rowe Lane 285 and UDF IV a 20 day period from the date of the letter to cure the Events of Default and defaults. As of the date of this Official Statement, no such cure has occurred. In the May 6th Letter, US Bank expressed its intent to pursue any available remedy, including acceleration of the US Bank Loan or foreclosure.

In all cases, an event of default may impact the financial condition of Rowe Lane 285 and may impair continued development by Rowe Lane 285 of its land within the District. According to information provided by Rowe Lane 285, as of March 31, 2016, \$529,521.86 and \$1,731,192.70 remain outstanding on the US Bank Loan and the 2015 UDF Loan, respectively. See "INVESTMENT CONSIDERATIONS – Certain Legal Investigation into Rowe Lane 285's Lender and Guarantor" and "THE DEVELOPERS – Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor."

Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor

In certain publicly available filings with the United States Securities and Exchange Commission ("SEC"), UDF IV has confirmed that law enforcement authorities executed a search warrant at its corporate offices on February 18, 2016, and served its executive officers and certain other employees of its advisor and affiliates with grand jury subpoenas seeking the production of documents related to UDF IV's operations. UDF IV had also acknowledged in a prior publicly available filing with the SEC that it and certain affiliates had been cooperating since April 2014 with a non-public fact-finding investigation being conducted by the SEC. In addition, according to certain published reports, UDF IV is being investigated by the Federal Bureau of Investigation. The eventual outcome of such investigations, and the financial condition of UDF IV generally, may impact UDF IV's ability to act as a lender to Rowe Lane 285 or its viability as a guarantor of the Commerce Revolving Loan and the US Bank Loan. A material adverse change in the financial condition of UDF IV as guarantor may trigger an event of default under both the Commerce Revolving Loan and the US Bank Loan, allowing each bank to pursue certain remedies against Rowe Lane 285, including acceleration of the payment of outstanding principal and interest on the loans and/or foreclosure on all land and contract rights securing each respective loan. In all such cases, an event of default may impact the financial condition of Rowe Lane 285 and impair continued development by Rowe Lane 285 of its land within the District. The share price of UDF IV on NASDAQ had declined during the preceding twelve months, and on February 18, 2016, trading in such UDF IV shares was halted. In a letter dated March 17, 2016, the staff of the Listing Qualifications Department of NASDAQ stated that UDF IV was not in compliance with certain NASDAQ rules regarding the timely filing of periodic reports with the SEC. UDF IV was required to submit to NASDAQ a plan to regain compliance with such NASDAQ rules by May 16, 2016, and according to Rowe Lane 285, UDF IV has timely submitted the plan. The District gives no assurance nor makes any representation regarding the status of any investigation into UDF IV or the present or future financial condition or legal status of UDF IV or Rowe Lane 285. See "INVESTMENT CONSIDERATIONS – General, – Factors Affecting Taxable Values and Tax Payments" and "– Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor."

Rowe lane 285 has represented that although, to their knowledge, they are not part of the law enforcement investigations disclosed by UDF IV in certain publicly available filings with the SEC, Rowe Lane 285 does share common management and control with UDF IV. The District gives no assurances nor makes any representations regarding any affect such common management and control between Rowe lane 285 and UDF IV may have on the District or future development within the District. See "INVESTMENT CONSIDERATIONS – Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor," "THE DEVELOPERS – Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor" and "—Acquisition and Development Financing – Rowe Lane 285."

Homebuilders within the District

According to the Developers, there are currently two homebuilders active within the District: Gehan Homes, Ltd. (“Gehan”) and The Brohn Group, LLC, d/b/a Brohn Homes (“Brohn”). The Developers have also represented that the homes within the District are being constructed on two lot sizes (55’ and 65’) and range in price from \$239,990 to \$355,990, with square footage ranging from 1,793 to 3,993.

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	47*

* Includes 15 completed homes and 32 homes under construction as of May 11, 2016.

Utility Development Agreements

The District has executed two utility construction agreements with the Developers. 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 Developers for water, wastewater and drainage facilities constructed to serve property within the District and to reimburse the Developers 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 Developers have 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, Sections I, II-A, II-B, II-C, III-A, III-B, IV-A, V-A, VI-A and VII classified as agricultural, open-space or timberland. In addition, the Developers 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 Developers. 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

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. No lots are developed nor are any expected to be developed on the 26 acres that are located within the boundary of the 100-year 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 October 1, 2014.

<i>Monthly Base Charge – Water</i>	
5/8”	\$16.00
3/4”	16.00
1”	21.00
1-1/2”	33.16
2”	48.30
 <i>Monthly Base Charge – Wastewater</i>	
Per Connection	\$40.00
 <i>Water Usage Charge</i>	
0-7,000 gallons	\$3.90 (per 1,000 gallons)
7,001 – 14,999 gallons	4.10 (per 1,000 gallons)
15,000 to unlimited	4.80 (per 1,000 gallons)

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

<u>Water</u>	
<u>Meter Size</u>	<u>Administrative and Tap Fee</u>
All meters	\$350
 <u>Wastewater</u>	
<u>Type</u>	<u>Administrative and Tap Fee</u>
Residential	\$450
Commercial	\$1,100
 <u>Security Deposit</u>	
<u>Meter Size</u>	<u>Fee</u>
All meters	\$125
 <u>Drainage Fee:</u>	\$500

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					
	4/30/2016 ^(a)	9/30/2015 ^(b)	9/30/2014 ^(b)	9/30/2013 ^(b)	9/30/2012 ^(b)	9/30/2011 ^(b)
REVENUES						
Property Taxes, including penalties	\$ 486,085	\$ 338,238	\$ 333,623	\$ 253,390	\$ 177,035	\$ 171,419
Service Account Revenues, including penalties	37,714	57,082	48,835	41,289	35,102	27,093
System Connection Fees	22,400	65,800	64,400	110,600	91,000	87,500
Interest	1,725	2,103	2,370	2,580	1,902	1,465
Miscellaneous	-	129	-	-	34	98
TOTAL REVENUES	\$ 547,924	\$ 463,352	\$ 449,228	\$ 407,859	\$ 305,073	\$ 287,575
EXPENDITURES						
Director Fees, including payroll taxes	\$ 11,282	\$ 19,425	\$ 15,663	\$ 15,663	\$ 12,111	\$ 10,334
Legal Fees	27,379	48,494	44,710	41,097	32,362	29,474
Engineering Fees	10,550	85,692	60,360	66,716	32,691	25,914
Financial Advisor Fees	1,830	993	1,146	1,059	1,218	973
Accounting Fees	22,165	17,550	17,550	17,550	17,550	17,550
Audit Fees	12,000	12,000	11,500	11,500	11,000	10,500
Utilities	11,892	16,539	13,874	13,552	10,854	8,805
Insurance	1,661	1,505	1,375	1,269	804	200
Landscaping	27,748	42,837	130,304	46,081	30,666	29,668
Tax Appraisal/Collection Fees	1,667	2,117	1,940	1,487	1,050	1,036
Other	878	2,025	2,085	2,960	1,382	2,387
Capital Outlay	62,909	140,221	-	-	-	7,400
TOTAL EXPENDITURES	\$ 191,959	\$ 389,398	\$ 300,507	\$ 218,934	\$ 151,688	\$ 144,241
NET REVENUES (DEFICIT)	\$ 355,965	\$ 73,954	\$ 148,721	\$ 188,925	\$ 153,385	\$ 143,334
Plus/(Less) Other Financing Sources	\$ -	\$ -	\$ -	\$ -	\$ (7,283)	\$ -
Fund Balance, beginning of yr.	\$ 931,327	\$ 857,373	\$ 708,652	\$ 519,727	\$ 373,625	\$ 230,291
Fund Balance, end of yr.	\$ 1,287,292	\$ 931,327	\$ 857,373	\$ 708,652	\$ 519,727	\$ 373,625

(a) Unaudited as of April 30, 2016. Represents 7 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

\$4,000,000

Unlimited Tax Bonds, Series 2016

Dated Date: July 14, 2016

First Interest Payment Due: September 1, 2016

Year Ending 31-Dec	Outstanding Bonds				The Bonds				Total Debt Service Requirements	
	Principal Due (09/01)	Interest		Total	Principal (Due 9/01)	Interest		Principal and Interest		
		Due (03/01)	Due (09/01)			Due (03/01)	Due (09/01)			Total
2016	\$ 270,000	\$ 155,139	\$ 155,139	\$ 580,278	\$ 25,000	\$ -	\$ 13,635	\$ 13,635	\$ 38,635	\$ 618,912
2017	280,000	150,726	150,726	581,453	25,000	51,844	51,844	103,688	128,688	710,140
2018	300,000	146,026	146,026	592,053	25,000	51,469	51,469	102,938	127,938	719,990
2019	320,000	141,308	141,308	602,615	100,000	51,094	51,094	102,188	202,188	804,803
2020	350,000	137,058	137,058	624,115	150,000	50,094	50,094	100,188	250,188	874,303
2021	365,000	132,067	132,067	629,134	150,000	48,594	48,594	97,188	247,188	876,321
2022	375,000	126,561	126,561	628,121	175,000	47,094	47,094	94,188	269,188	897,309
2023	380,000	120,719	120,719	621,439	175,000	45,344	45,344	90,688	265,688	887,126
2024	415,000	114,398	114,398	643,796	175,000	43,594	43,594	87,188	262,188	905,984
2025	455,000	107,314	107,314	669,629	175,000	41,844	41,844	83,688	258,688	928,316
2026	490,000	99,054	99,054	688,109	175,000	39,875	39,875	79,750	254,750	942,859
2027	505,000	90,161	90,161	685,321	175,000	37,906	37,906	75,813	250,813	936,134
2028	515,000	80,937	80,937	676,874	175,000	35,719	35,719	71,438	246,438	923,311
2029	555,000	71,137	71,137	697,274	175,000	33,531	33,531	67,063	242,063	939,336
2030	575,000	60,412	60,412	695,824	200,000	31,344	31,344	62,688	262,688	958,511
2031	590,000	48,671	48,671	687,343	225,000	28,594	28,594	57,188	282,188	969,530
2032	590,000	36,643	36,643	663,286	250,000	25,500	25,500	51,000	301,000	964,286
2033	625,000	24,766	24,766	674,531	250,000	21,750	21,750	43,500	293,500	968,031
2034	675,000	12,234	12,234	699,469	250,000	18,000	18,000	36,000	286,000	985,469
2035	-	-	-	-	950,000	14,250	14,250	28,500	978,500	978,500
	<u>\$ 8,630,000</u>	<u>\$ 1,855,331</u>	<u>\$ 1,855,331</u>	<u>\$ 12,340,661</u>	<u>\$ 4,000,000</u>	<u>\$ 717,438</u>	<u>\$ 731,072</u>	<u>\$ 1,448,510</u>	<u>\$ 5,448,510</u>	<u>\$ 17,789,171</u>

**FINANCIAL STATEMENT
(Unaudited)**

Assessed Value - Table 4

2015 Certified Assessed Valuation		\$118,878,264 ^(a)
2016 Preliminary Assessed Valuation		151,301,379 ^(b)
Gross Debt Outstanding (after issuance of the Bonds)		\$ 12,630,000 ^(c)
Ratio of Gross Debt to 2015 Certified Assessed Valuation		10.62%
Ratio of Gross Debt to 2016 Preliminary Assessed Valuation		8.35%
2015 Tax Rate		
	Debt Service	\$ 0.4363
	Maintenance	<u>0.4107</u>
	Total 2015 Tax Rate	<u><u>\$ 0.8470</u></u> ^(d)
Debt Service Fund Balance (as of June 8, 2016)		\$ 639,222 ^(e)
Estimated Population as of May 11, 2016.....	1,915 ^(f)	
Area of District: 283.26 acres		

- (a) Assessed valuation of the District as of January 1, 2015, as certified by the Williamson Central Appraisal District (“WCAD”) and the Travis Central Appraisal District (“TCAD”). See “TAXING PROCEDURES.”
- (b) 2016 Preliminary Assessed Valuation, as provided by TCAD (and added to the certified assessed valuation as of January 1, 2015, provided by WCAD), is included solely for purposes of illustration. No taxes will be levied on this assessed value unless it is certified by TCAD and WCAD.
- (c) Includes the Bonds.
- (d) The District levied a 2015 tax rate of \$0.8470 at its meeting in September 2015. The property within the District owned by Rowe Lane 285 was valued by TCAD and WCAD in 2015 at \$653,376, which equates to a 2015 tax bill of \$5,534. Should Rowe Lane 285 cease to pay ad valorem taxes on land owned within the District and/or cease development within the District for any reason, the District currently projects the ability to maintain its overall 2015 tax rate level of \$0.8470, assuming no other materially adverse change to the District’s tax base. See “TAX DATA – Principal Taxpayers – Table 12.”
- (e) Unaudited as of June 8, 2016. Does not include approximately twenty-four months’ capitalized interest (\$238,052) 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 3.5 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	\$ 12,975,000 ^(a)	\$ 42,525,000
11/8/2005	Refunding	59,475,000	410,000	59,065,000
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>\$ 13,385,000</u></u>	<u><u>\$ 101,590,000</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	\$ 195,000
03/01/10	Water, Sanitary Sewer & Drainage	2010	1,325,000	90,000
09/01/12	Water, Sanitary Sewer & Drainage	2012	1,725,000	1,590,000
12/01/13	Water, Sanitary Sewer & Drainage	2013A	2,250,000	2,100,000
12/01/14	Water, Sanitary Sewer & Drainage	2014	2,000,000	1,995,000
07/14/16	Water, Sanitary Sewer & Drainage	2016	4,000,000	4,000,000 ^(a)
	Subtotal		\$ 12,975,000	\$ 9,970,000
B. Refunding Bonds				
04/01/13	Refunding	2013	2,745,000	2,660,000
	Subtotal		\$ 2,745,000	\$ 2,660,000
	Total		\$ 15,720,000	\$ 12,630,000

(a) The Bonds.

Cash and Investment Balances - Table 7 (a)

General Fund	\$ 1,192,259
Debt Service Fund	639,222 ^(b)
Capital Projects Fund	230,784

(a) Unaudited as of June 8, 2016. Includes cash and investments.

(b) Does not include approximately 24 months' capitalized interest (\$238,052) included in the Bond proceeds. 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 State 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 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 or the United States or their respective agencies and instrumentalities; (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) 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 the State and otherwise meets the requirements of the PFIA; (8) 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; (9) 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; (10) 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; (11) no-load money market mutual funds registered with and regulated by the SEC that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; and (12) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. 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 (10) through (12) 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; 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 State 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 State 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) State law. No person may invest District funds without express written authority from the Board.

Under State 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 June 8, 2016, was invested in TexPool and Certificates of Deposit, 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 June 8, 2016	
Cash	\$ 209,772
TexPool	1,307,492
Certificates of Deposit	545,000
Total Investments	\$ 2,062,264

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	914,339,942	5/31/2016	0.001%	\$ 9,143
Travis County	717,256,497	5/31/2016	0.086%	619,192
Travis County Healthcare District	11,355,000	5/31/2016	0.086%	9,797
Pflugerville Independent School District	498,050,000	5/31/2016	1.282%	<u>6,384,354</u>
TOTAL ESTIMATED OVERLAPPING NET DEBT				\$ 7,022,486
The District ^(a)	\$ 12,630,000	7/14/2016	100.00%	<u>12,630,000</u>
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT				<u>\$ 19,652,486</u>
Ratio of Estimated and Overlapping Debt to 2015 Certified Assessed Valuation				16.53%
Ratio of Estimated and Overlapping Debt to 2016 Preliminary Assessed Valuation				12.99%

(a) Includes the Bonds.

Overlapping Taxes for 2015

Overlapping Entity	2015 Tax Rate Per			
	\$100 Assessed Valuation		Average Tax Bill ^(a)	
	Travis County	Williamson County	Travis County	Williamson County
Williamson County	\$0.000000	\$0.441529	\$ -	\$ 1,141
Travis County	0.416900	0.000000	1,077	-
Travis County Healthcare District	0.117781	0.000000	304	-
Pflugerville Independent School District	1.540000	1.540000	3,979	3,979
The District	<u>0.847000</u>	<u>0.847000</u>	<u>2,189</u>	<u>2,189</u>
Total	<u>\$2.921681</u>	<u>\$2.828529</u>	<u>\$ 7,549</u>	<u>\$ 7,309</u>

(a) Based upon the 2015 average single-family home value of \$258,390 as provided by the TCAD.

TAX DATA

Classification of Assessed Valuation - Table 9

Type Property	2015 ^(a)		2014 ^(a)		2013 ^(a)	
	Amount	%	Amount	%	Amount	%
Single Family Residence	\$ 117,586,221	98.89%	\$ 89,312,791	96.23%	\$ 66,650,229	97.39%
Vacant Lot	299,190	0.25%	98,258	0.11%	130,507	0.19%
Qualified Ag Land	1,039,913	0.87%	80,177	0.09%	57,560	0.08%
Non-Qualified Ag Land	1,266,282	1.06%	555,231	0.60%	576,451	0.84%
Commercial Personal Property	485,190	0.41%	972,599	1.05%	319,699	0.47%
Residential Inventory	3,053,025	2.57%	3,639,569	3.92%	1,718,047	2.51%
Totally Exempt Property	73,675	0.06%	73,675	0.08%	73,500	0.11%
Plus/(Minus) Adjustments	(4,896,288)	-4.12%	(1,918,358)	-2.07%	(1,086,899)	-1.59%
Total	\$ 118,907,208	100.00%	\$ 92,813,942	100.00%	\$ 68,439,094	100.00%

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

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	118,878,264	0.8470	1,006,899	1,001,875	99.50%	1,001,875	99.50%	09/30/16 ^(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. Reflects tax collections as of April 30, 2016. Taxes were due with no penalty by January 31, 2016.

District Tax Rates - Table 11

	Tax Rates per \$100 Assessed Valuation					
	2015	2014	2013	2012	2011	2010
Debt Service	\$ 0.4363	\$ 0.5212	\$ 0.4115	\$ 0.4486	\$ 0.4357	\$ 0.3955
Maintenance	0.4107	0.3563	0.4885	0.4514	0.4643	0.5045
Total	\$ 0.8470	\$ 0.8775	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000

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 2015 maintenance and operation tax of \$0.4107/\$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 2015, 2014 and 2013 tax rolls of the District, which reflect ownership as of January 1, of each year shown.

Taxpayer	Type of Property	2015	2014	2013
Gehan Homes Ltd.	Lots and Homes	\$ 768,647	\$ 2,526,715	\$ 914,068
Brohn Group LLC	Lots and Homes	682,781	(a)	(a)
Rowe Lane 285 LP ^(b)	Acreage and Lots	653,376	(a)	(a)
Commons at Rowe Lane LP	Acreage and Lots	536,689	454,639	492,835
Individual Homeowner	Land and Improvements	354,316	(a)	(a)
Individual Homeowner	Land and Improvements	345,704	(a)	(a)
Individual Homeowner	Land and Improvements	344,899	(a)	(a)
Individual Homeowner	Land and Improvements	344,798	306,483	(a)
Individual Homeowner	Land and Improvements	342,492	(a)	(a)
Individual Homeowner	Land and Improvements	342,202	302,943	280,191
Wheels LT	Automobile Leasing Company	(a)	581,066	(a)
Individual Homeowner	Land and Improvements	(a)	478,376	431,185
Gehan Homes Ltd.	Lots and Homes	(a)	322,284	305,870
Individual Homeowner	Land and Improvements	(a)	304,051	280,988
Individual Homeowner	Land and Improvements	(a)	301,744	(a)
Individual Homeowner	Land and Improvements	(a)	301,584	(a)
Individual Homeowner	Land and Improvements	(a)	(a)	272,906
Individual Homeowner	Land and Improvements	(a)	(a)	271,047
Individual Homeowner	Land and Improvements	(a)	(a)	270,556
Individual Homeowner	Land and Improvements	(a)	(a)	268,439
Total		<u>\$ 4,715,904</u>	<u>\$ 5,879,885</u>	<u>\$ 3,788,085</u>
Percent of Certified Assessed Valuation		3.97%	6.34%	5.53%

- (a) Not a principal taxpayer in respective year.
- (b) Acquisition and development financing for the referenced property has been provided, in part, by United Development Funding IV, a Maryland real estate investment trust. See "INVESTMENT CONSIDERATIONS – Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor" and "THE DEVELOPERS – Description of Developers – Rowe Lane 285, L.P.," "Acquisition and Development Financing" and "—Certain Legal Investigations into Rowe Lane 285's Lender and Guarantor." The property within the District owned by Rowe Lane 285 was valued by TCAD and WCAD in 2015 at \$653,376, which equates to a 2015 tax bill of \$5,534. Should Rowe Lane 285 cease to pay ad valorem taxes on land owned within the District and/or cease development within the District for any reason, the District currently projects the ability to maintain its overall 2015 tax rate level of \$0.8470, assuming no other materially adverse change to the District's tax base.

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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 2015 Certified Assessed Valuation and the 2016 Preliminary Assessed Valuation, 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 Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2016 through 2035)	\$889,459
\$0.79 Tax Rate on 2015 Certified Assessed Valuation of \$118,878,264 @ 95% collections produces.....	\$892,181
\$0.62 Tax Rate on 2016 Preliminary Assessed Valuation of \$151,301,379 @ 95% collections produces.....	\$891,165
Maximum Annual Debt Service Requirements on the Bonds (2034).....	\$985,469
\$0.88 Tax Rate on 2015 Certified Assessed Valuation of \$118,878,264 @ 95% collections produces	\$993,822
\$0.69 Tax Rate on 2016 Preliminary Assessed Valuation of \$151,301,379 @ 95% collections produces.....	\$991,781

Debt Service Fund Management Index

Debt Service Requirements for year ending 12/31/16.....	\$618,912 ^(a)
Audited Debt Service Fund Balance as of 9/30/15.....	217,431 ^(b)
Capitalized Interest included in Bond proceeds	238,052 ^(c)
2015 Tax Levy @ 95% collections produces	<u>492,733 ^(d)</u>
Total Available for Debt Service.....	<u>\$948,216</u>
Projected Debt Service Fund Balance as of September 30, 2016.....	\$329,304

- (a) Interest requirements on the Bonds begin September 1, 2016.
- (b) Represents debt service fund balance after all 2015 debt service requirements have been paid.
- (c) Represents approximately two years of capitalized interest to be deposited into the Debt Service Fund from proceeds of the Bonds at closing.
- (d) The District levied a 2015 debt service tax rate of \$0.4363.

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 of 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. Additionally, a disabled veteran who receives 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual employability is entitled to an exemption from taxation of the total appraised value of their residence homestead, effective for the tax years beginning on or after January 1, 2009. 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. 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 65 years old, not less than \$3,000 of appraised value or such higher amount as the Board or the District's voters may approve. The District's tax assessor/collector is 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 freeport exemptions or the goods-in-transit exemptions for items of personal property. The District has not taken action to tax goods-in-transit.

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 after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of 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 becomes 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 of up to fifteen percent (15%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

Rollback of Operation and Maintenance Tax Rate

The qualified voters of the District have to right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

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 2015". 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 Freeman & Corbett (“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 bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity. The supplemental legal opinion of McCall, Parkhurst & Horton, L.L.P., Special Tax Counsel (“Special Tax Counsel”), will also address the matters described below under “TAX MATTERS.” Special Tax Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof, (i) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (ii) 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. See “Tax Matters” below. Bond Counsel will not be responsible in any manner for matters addressed in the opinion of Special Tax Counsel and, likewise, Special Tax Counsel will not be responsible in any manner for matters addressed in the opinion of Bond Counsel. Moreover, Bond Counsel and Special Tax Counsel have no joint responsibility with respect to the Bonds or the proceeds relating to the Bonds. Bond Counsel will be solely responsible for such proceedings and Special Tax Counsel will be solely responsible for its opinion. 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 and Special Tax 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

Tax Exemption

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Special Tax 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, Special Tax 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 C - Form of Opinion of Special Tax Counsel.

In rendering its opinion, Special Tax Counsel will rely upon (a) the opinion of Freeman & Corbett L.L.P., Bond Counsel, that the Bonds are valid and binding obligations of the District payable from the proceeds of a generally-applicable ad valorem tax, (b) the District’s federal tax certificate and (c) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matter. 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.

Special Tax Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Special Tax Counsel’s opinion is not a guarantee of a result. The law upon which Special Tax

Counsel has based its opinion is subject to change by Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. There can be no assurance that such law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the 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 is 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 notice to the MSRB of any of the following events with respect to the Bonds: (i) non-payment related defaults; (ii) modifications to rights of Bondholders; (iii) Bond calls; (iv) release, substitution, or sale of property securing repayment of the Bonds; (v) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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; and (vi) appointment of a successor or additional trustee or the change of name of a trustee.

The District will also provide notice to the MSRB of any of the following events with respect to the Bonds without regard to whether such event is considered material within the meaning of the federal securities laws: (i) principal and interest payment delinquencies; (ii) unscheduled draws on debt service reserves reflecting financial difficulties; (iii) unscheduled draws on credit enhancements reflecting financial difficulties; (iv) substitution of credit or liquidity providers, or their failure to perform; (v) adverse tax opinions or 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 events affecting the tax status of the Bonds; (vi) tender offers; (vii) defeasances; (viii) rating changes; and (ix) bankruptcy, insolvency, receivership or similar event of the District (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for 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 or 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 in possession but subject to the supervision and orders of a court or 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).

The District will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The District will also provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports."

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” – 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, 2015, 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 of Directors of Lakeside Municipal Utility District No. 3, as of the date shown on the first page hereof.

/s/ Tom Corbett
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, 2015. 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, 2015 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 **10th day of February, 2016**, its annual audit report for the fiscal year ended **September 30, 2015** 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 all annual filing requirements within Section 49.194 of the Texas Water Code and to the Texas Comptroller of Public Accounts in satisfaction of the annual filing requirements of Section 140.008 of the Texas Local Government Code.

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: 303 East Main Street
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, 2015, 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.

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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"
This firm is not a CPA firm*

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, 2015, 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.

Emphasis of Matter

As described in Note 12 to the financial statements, the District recorded an adjustment to properly reflect the amortization of deferred charges resulting in a restatement of the District's net position as of September 30, 2014. Our opinions are not modified with respect to this matter.

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-17, 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
February 10, 2016

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3 MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2015

In accordance with Governmental Accounting Standards Board Statement 34 (“GASB 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, 2015. 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 unassigned fund balance was \$931,327, an increase of \$73,954 from the previous fiscal year. General Fund revenues increased from \$449,228 in the previous fiscal year to \$463,352 in the current fiscal year due to an increase in service fee revenues and property taxes.
- *Debt Service Fund:* Fund balance restricted for debt service increased from \$161,897 at the end of the previous fiscal year to \$217,431 at the end of the current fiscal year. Debt Service Fund revenues increased from \$281,193 in the previous fiscal year to \$489,490 in the current fiscal year due to additional property tax revenues generated as a result of an increase in the District’s assessed valuation and an increase in the tax rate allocated to fund debt service.
- *Capital Projects Fund:* Fund balance restricted for capital projects increased from \$221,563 at the end of the previous fiscal year to \$230,472 at the end of the current fiscal year. The District issued \$2,000,000 in unlimited tax bonds and expended \$1,629,185 in capital outlay costs during the current fiscal year.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had expenses net of revenues of \$116,447 during the current fiscal year. Net position decreased from a deficit balance of \$527,879, as restated, at September 30, 2014 to a deficit balance of \$644,326 at September 30, 2015.

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, 2015

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 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 BASIC 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, 2015**

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
	2015	2014	(Decrease)
Current and other assets	\$ 1,421,149	\$ 1,309,735	\$ 111,414
Capital and non-current assets	6,346,126	4,841,004	1,505,122
Total Assets	<u>7,767,275</u>	<u>6,150,739</u>	<u>1,616,536</u>
Deferred charges on refunding, as restated	206,872	219,450	(12,578)
Current liabilities	337,776	344,370	(6,594)
Long-term liabilities	8,280,697	6,553,698	1,726,999
Total Liabilities	<u>8,618,473</u>	<u>6,898,068</u>	<u>1,720,405</u>
Net investment in capital assets, as restated	(1,767,227)	(1,536,681)	(230,546)
Restricted for debt service	191,574	145,831	45,743
Unrestricted	931,327	862,971	68,356
Total Net Position, as restated	<u>\$ (644,326)</u>	<u>\$ (527,879)</u>	<u>\$ (116,447)</u>

The District's combined net position decreased from a deficit balance of \$527,879, as restated, at the end of the previous fiscal year to a deficit balance of \$644,326 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 \$931,327 at September 30, 2015.

**LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

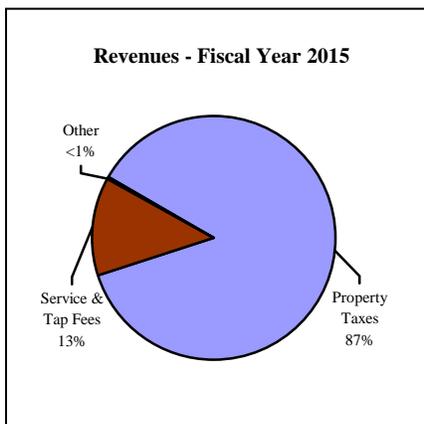
Revenues and Expenses:

Summary Statement of Activities

	Governmental Activities		Change Increase (Decrease)
	2015	2014	
Property taxes	\$ 817,832	\$ 624,253	\$ 193,579
Service accounts	57,082	48,835	8,247
Tap connections	65,800	64,400	1,400
Other	2,654	2,604	50
Total Revenues	943,368	740,092	203,276
Landscaping and utilities	199,597	144,178	55,419
Legal fees	48,494	44,710	3,784
Engineering fees	85,692	60,360	25,332
Accounting fees	17,550	17,550	-
Other	46,498	36,307	10,191
Debt service, as restated	537,921	472,772	65,149
Depreciation	124,063	91,069	32,994
Total Expenses, as restated	1,059,815	866,946	192,869
Change in Net Position, as restated	(116,447)	(126,854)	10,407
Beginning Net Position, as restated	(527,879)	(401,025)	(126,854)
Ending Net Position, as restated	\$ (644,326)	\$ (527,879)	\$ (116,447)

Revenues were \$943,368 for the fiscal year ended September 30, 2015, while expenses were \$1,059,815. Net position decreased by \$116,447 for the fiscal year ended September 30, 2015.

Property tax revenues totaled \$817,832 for the fiscal year ended September 30, 2015, an increase of \$193,579 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 2015 was approximately \$92.8 million compared to \$68.4 million in fiscal year 2014. 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 2015 was \$0.8775 per \$100 assessed valuation, which is a decrease from the fiscal year 2014 tax rate of \$0.90. For fiscal year 2015, taxes were allocated 41% to the General Fund and 59% to the Debt Service Fund. Property taxes make up 87% of the District's total revenue sources.

**LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

ANALYSIS OF GOVERNMENTAL FUNDS

Governmental Funds by Year

	2015	2014	2013	2012
Cash, cash equivalents and investments	\$ 1,395,726	\$ 1,293,598	\$ 1,009,218	\$ 916,947
Receivables	28,883	20,967	24,383	18,956
Prepaid expenditures	10,383	-	-	-
Total Assets	\$ 1,434,992	\$ 1,314,565	\$ 1,033,601	\$ 935,903
Accounts payable	\$ 41,919	\$ 59,309	\$ 13,723	\$ 13,563
Interfund payable	13,843	4,830	9,058	1,567
Other payables	-	-	-	1,938
Total Liabilities	55,762	64,139	22,781	17,068
Deferred Inflows of Resources	-	9,593	-	6,348
Restricted	447,903	383,460	302,168	392,760
Unassigned	931,327	857,373	708,652	519,727
Total Fund Balances	1,379,230	1,240,833	1,010,820	912,487
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,434,992	\$ 1,314,565	\$ 1,033,601	\$ 935,903

As of September 30, 2015, the District's governmental funds reflected a combined fund balance of \$1,379,230, which included a year-over-year increase of \$73,954 in the General Fund.

The Debt Service Fund reflects an increase in fund balance of \$55,534 in fiscal year 2015. The Debt Service Fund remitted bond principal of \$270,000 and bond interest of \$300,671 during fiscal year 2015. 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 an \$8,909 increase in fund balance for fiscal year 2015. The District issued \$2,000,000 of unlimited tax bonds and purchased \$1,629,185 of infrastructure assets during the current fiscal year.

BUDGETARY HIGHLIGHTS

The General Fund pays for daily operating expenses. On September 10, 2014, the Board of Directors approved a budget for the fiscal year ending September 30, 2015. The budget included revenues of \$465,993 as compared to expenditures of \$278,519 for fiscal year 2015. When comparing actual figures to budgeted amounts, the District had a negative variance of \$113,520 for fiscal year 2015, primarily due to fewer tap connections than estimated and more engineering and general landscaping project costs than projected. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

**LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

CAPITAL ASSETS

As of September 30, 2015, the District's governmental activities have invested \$6,346,126 in land and infrastructure. The detail is reflected in the following schedule:

Summary of Capital Assets, net

	9/30/2015	9/30/2014
Land	\$ 273,480	\$ 273,480
Water/Wastewater/Drainage Facilities	6,474,673	4,845,488
Less: Accumulated Depreciation	(402,027)	(277,964)
Total Net Capital Assets	\$ 6,346,126	\$ 4,841,004

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:

	Bonds Payable
Series 2008	\$ 195,000
Series 2010	90,000
Series 2012	1,590,000
Series 2013	2,660,000
Series 2013A	2,100,000
Series 2014	1,995,000
Total	\$ 8,630,000

The District owes approximately \$8.6 million to bond holders. During the current fiscal year, \$270,000 of principal reductions was paid by the District. Also during the current fiscal year, the District issued \$2,000,000 in unlimited tax bonds to reimburse the developer for certain infrastructure assets. The ratio of the District's long-term debt to the total taxable assessed valuation (\$92,813,942) is 9.3%. The District's estimated population, as provided by the District as of September 30, 2015, is 1,578. More detailed information about the District's long-term debt is presented in the *Notes to the Basic Financial Statements*.

**LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The property tax assessed value and net taxable value for 2015 is approximately \$119 million. The fiscal year 2016 tax rate is \$0.847 on each \$100 of taxable value. Approximately 48% of the property tax will fund general operating expenses and approximately 52% of the property tax will be set aside for debt service.

The adopted budget for fiscal year 2016 projects an operating fund balance increase of \$259,807. Compared to the fiscal year 2015 budget, revenues are expected to increase by approximately \$161,000 and expenditures are expected to increase by approximately \$89,000.

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, 2015

	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	\$ 187,348	\$ -	\$ -	\$ 187,348	\$ -	\$ 187,348
Cash equivalents	211,949	220,957	230,472	663,378	-	663,378
Investments	545,000	-	-	545,000	-	545,000
Receivables:						
Service accounts, no provision for uncollectible accounts	14,261	-	-	14,261	-	14,261
Interest	779	-	-	779	-	779
Interfund receivables	13,843	-	-	13,843	(13,843)	-
Prepaid expenditures	-	-	10,383	10,383	-	10,383
Capital assets, net of accumulated depreciation:						
Land	-	-	-	-	273,480	273,480
Water/wastewater/drainage facilities	-	-	-	-	6,072,646	6,072,646
TOTAL ASSETS	973,180	220,957	240,855	1,434,992	6,332,283	7,767,275
<u>DEFERRED OUTFLOWS OF RESOURCES</u>						
Deferred charges on refundings	-	-	-	-	206,872	206,872
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	206,872	206,872
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 973,180	\$ 220,957	\$ 240,855	\$ 1,434,992		
<u>LIABILITIES</u>						
Accounts payable	\$ 41,853	\$ 66	\$ -	\$ 41,919	-	41,919
Accrued bond interest payable	-	-	-	-	25,857	25,857
Interfund payables	-	3,460	10,383	13,843	(13,843)	-
Long-term liabilities:						
Due within one year	-	-	-	-	270,000	270,000
Due after one year	-	-	-	-	8,280,697	8,280,697
TOTAL LIABILITIES	41,853	3,526	10,383	55,762	8,562,711	8,618,473
<u>FUND BALANCES / NET POSITION</u>						
Fund balances:						
Restricted for:						
Debt service	-	217,431	-	217,431	(217,431)	-
Capital projects	-	-	230,472	230,472	(230,472)	-
Unassigned	931,327	-	-	931,327	(931,327)	-
TOTAL FUND BALANCES	931,327	217,431	230,472	1,379,230	(1,379,230)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 973,180	\$ 220,957	\$ 240,855	\$ 1,434,992		
Net position:						
Net investment in capital assets					(1,767,227)	(1,767,227)
Restricted for debt service					191,574	191,574
Unrestricted					931,327	931,327
TOTAL NET POSITION					\$ (644,326)	\$ (644,326)

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, 2015

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Activities
REVENUES:						
Property taxes, including penalties and interest	\$ 338,238	\$ 489,187	\$ -	\$ 827,425	\$ (9,593)	\$ 817,832
Service accounts, including penalties	57,082	-	-	57,082	-	57,082
Tap connections	65,800	-	-	65,800	-	65,800
Interest and other	2,232	303	119	2,654	-	2,654
TOTAL REVENUES	463,352	489,490	119	952,961	(9,593)	943,368
EXPENDITURES / EXPENSES:						
Landscaping	183,058	-	-	183,058	-	183,058
Engineering fees	85,692	-	-	85,692	-	85,692
Legal fees	48,494	-	-	48,494	-	48,494
Director fees, including payroll taxes	19,425	-	-	19,425	-	19,425
Accounting fees	17,550	-	-	17,550	-	17,550
Utilities	16,539	-	-	16,539	-	16,539
Audit fees	12,000	-	-	12,000	-	12,000
Tax appraisal/collection	2,117	3,095	-	5,212	-	5,212
Insurance	1,505	-	-	1,505	-	1,505
Financial advisor fees	993	838	-	1,831	-	1,831
Other	2,025	4,500	-	6,525	-	6,525
Debt service:						
Bond principal	-	270,000	-	270,000	(270,000)	-
Bond interest	-	300,671	-	300,671	27,213	327,884
Fiscal agent fees	-	2,000	-	2,000	-	2,000
Bond issue costs	-	-	208,037	208,037	-	208,037
Capital outlay	-	-	1,629,185	1,629,185	(1,629,185)	-
Depreciation	-	-	-	-	124,063	124,063
TOTAL EXPENDITURES / EXPENSES	389,398	581,104	1,837,222	2,807,724	(1,747,909)	1,059,815
Excess (deficit) of revenues over (under) expenditures / expenses	73,954	(91,614)	(1,837,103)	(1,854,763)	1,738,316	(116,447)
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of bonds	-	147,148	1,852,852	2,000,000	(2,000,000)	-
Discount on sale of bonds	-	-	(6,840)	(6,840)	6,840	-
TOTAL OTHER FINANCING SOURCES, net	-	147,148	1,846,012	1,993,160	(1,993,160)	-
Change in fund balances / net position	73,954	55,534	8,909	138,397	(254,844)	(116,447)
FUND BALANCE / NET POSITION:						
Beginning of the year, as restated	857,373	161,897	221,563	1,240,833	(1,768,712)	(527,879)
End of the year	<u>\$ 931,327</u>	<u>\$ 217,431</u>	<u>\$ 230,472</u>	<u>\$ 1,379,230</u>	<u>\$ (2,023,556)</u>	<u>\$ (644,326)</u>

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

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 Chapter 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 Statement No. 14, 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. 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 District. 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, 2015

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 that 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, general long-term 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, 2015

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, deferred outflows of resources, current liabilities, and deferred inflows of resources generally 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 net 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. The District made no such accrual for the fiscal year ended September 30, 2015. 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 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, 2015**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting - A budget was adopted on September 10, 2014 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. Annual appropriations lapse at fiscal year-end. The budget was not amended during the current fiscal year. For the year ended September 30, 2015, actual expenditures exceeded the budget in the General Fund by \$110,879.

Cash and Cash Equivalents - Cash and cash equivalents includes cash on deposit as well as investments with maturities of three months or less. The investments, consisting of certificates of deposit and obligations in the State Treasurer’s Investment Pool are recorded at cost, which approximates fair market value.

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 will 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 fair market value at the time received.

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

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities 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.

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 in accordance with GASB Statement No. 65.

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

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.

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.

**LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

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		\$1,379,230
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Capital assets	6,748,153	
Less: Accumulated depreciation	<u>(402,027)</u>	6,346,126
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds payable	(8,630,000)	
Issuance discounts	79,303	
Deferred charges on refunding	206,872	
Accrued bond interest payable	<u>(25,857)</u>	<u>(8,369,682)</u>
Total net position		<u><u>\$ (644,326)</u></u>

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		\$ 138,397
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report:		
Capital expenditures in period purchased	1,629,185	
Bond principal payments as expenditures	270,000	
Interest expenditures in year paid	(5,796)	
Tax revenue when collected	(9,593)	
Bond proceeds as other financing source	(2,000,000)	
Bond discount as other financing use	<u>6,840</u>	(109,364)
Governmental funds do not report:		
Depreciation	(124,063)	
Amortization of bond discounts	(8,839)	
Amortization of deferred charges on refundings	<u>(12,578)</u>	<u>(145,480)</u>
Change in net position		<u><u>\$ (116,447)</u></u>

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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; securities collateralizing time deposits are held by independent third party trustees.

At September 30, 2015, the carrying amount of the District's deposits was \$187,348 and the bank balance was \$187,586. 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.

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.

**LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

At September 30, 2015, the District held the following investments:

<u>Cash Equivalents and Investments</u>	<u>Fair Market Value at 9/30/2015</u>	<u>Weighted Average Maturity (Days)</u>	<u>Investment Rating</u>	
			<u>Rating</u>	<u>Rating Agency</u>
TexPool	\$ 663,378	1	AAAm	Standard & Poors
Certificates of deposit	545,000	41	Various	Various
	<u>\$ 1,208,378</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 fair value, which is the same as the value of the pool shares. 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.

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, 2015, 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, 2015, the District’s bank deposits were fully covered by FDIC insurance and other pledged collateral.

**LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

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 10, 2014.

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 2014 tax roll. The tax rate, based on total taxable assessed valuation of \$92,813,942, was \$0.8775 on each \$100 valuation and was allocated \$0.3563 to the General Fund and \$0.5212 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.

At September 30, 2015, all property taxes levied had been fully collected.

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

5. INTERFUND RECEIVABLES AND PAYABLES

A summary of interfund accounts, which resulted from the time lag between dates that payments are made between funds, is as follows for the year ended September 30, 2015:

	Interfund	
	Receivables	Payables
General Fund:		
Debt Service Fund	\$ 3,460	\$ -
Capital Projects Fund	10,383	-
Debt Service Fund -		
General Fund	-	3,460
Capital Projects Fund -		
General Fund	-	10,383
	\$ 13,843	\$ 13,843

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 9/30/2014	Additions	Deletions	Balance 9/30/2015
Capital assets not being depreciated - Land	\$ 273,480	\$ -	\$ -	\$ 273,480
Capital assets being depreciated - Water/Wastewater/Drainage Facilities	4,845,488	1,629,185	-	6,474,673
Total capital assets being depreciated	4,845,488	1,629,185	-	6,474,673
Less accumulated depreciation for - Water/Wastewater/Drainage Facilities	(277,964)	(124,063)	-	(402,027)
Total accumulated depreciation	(277,964)	(124,063)	-	(402,027)
Total capital assets being depreciated, net of accumulated depreciation	4,567,524	1,505,122	-	6,072,646
Total capital assets, net	\$ 4,841,004	\$ 1,505,122	\$ -	\$ 6,346,126

7. DEFERRED OUTFLOWS OF RESOURCES

The following is a summary of changes in deferred outflows of resources for the year ended September 30, 2015:

Deferred charges on bond refundings - September 30, 2014, as restated (see Note 12)	\$ 219,450
Retirements from Series 2013 refundings	(12,578)
Deferred charges on bond refundings - September 30, 2015	\$ 206,872

**LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

8. LONG-TERM DEBT

The following is a summary of bond transactions of the District for the year ended September 30, 2015:

	Unlimited Tax Bonds
Bonds payable at September 30, 2014	\$ 6,900,000
Bonds issued	2,000,000
Bonds refunded	-
Bonds retired	(270,000)
Less: Bond discounts	(79,303)
	\$ 8,550,697

Bonds payable at September 30, 2015 were comprised of the following individual issues:

Unlimited Tax Bonds:

\$195,000 - 2008 Unlimited Tax Bonds payable serially through the year 2018 at interest rates which range from 4.875% to 6.000%.

\$90,000 - 2010 Unlimited Tax Bonds payable serially through the year 2017 at interest rates which range from 4.00% to 5.40%.

\$1,590,000 - 2012 Unlimited Tax Bonds payable serially through the year 2032 at interest rates which range from 2.00% to 4.00%.

\$2,100,000 - 2013A Unlimited Tax Bonds payable serially through the year 2033 at interest rates which range from 3.00% to 5.00%.

\$1,995,000 - 2014 Unlimited Tax Bonds payable serially through the year 2034 at interest rates which range from 3.00% to 3.625%.

Unlimited Tax Refunding Bonds:

\$2,660,000 - 2013 Unlimited Tax Bonds payable serially through the year 2032 at interest rates which range from 2.00% to 3.90%.

On December 11, 2014, the District issued \$2,000,000 Unlimited Tax Bonds, Series 2014, with interest rates ranging from 3.00% to 3.625%. The net proceeds of \$1,946,648 (after payment of \$189,881 in underwriter fees, insurance, and other bond related costs) were deposited with the District's investment accounts to finance construction costs, water and wastewater impact fees, and to pay for accrued bond interest and subsequent bond issue costs.

**LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

8. LONG-TERM DEBT (continued)

The annual requirements to amortize all bonded debt at September 30, 2015, including interest, are as follows:

Year Ended September 30,	Annual Requirements for All Series		
	Principal	Interest	Total
2016	\$ 270,000	\$ 310,279	\$ 580,279
2017	280,000	301,454	581,454
2018	300,000	292,054	592,054
2019	320,000	282,616	602,616
2020	350,000	274,116	624,116
2021-2025	1,990,000	1,202,122	3,192,122
2026-2030	2,640,000	803,405	3,443,405
2031-2034	2,480,000	244,629	2,724,629
	\$ 8,630,000	\$ 3,710,675	\$ 12,340,675

The total amount of bonds approved by the voters of the District but not issued is \$50,500,000 at September 30, 2015.

\$217,431 is available in the Debt Service Fund to service the bonded debt.

9. COMMITMENTS AND CONTINGENCIES

The developer of the land within the District has incurred costs related to 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, 2015, has recorded no liability pertaining to such costs.

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.

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

10. RISK MANAGEMENT (continued)

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.

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. The District had no such amounts.
- 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.

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

11. FUND BALANCES (continued)

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.

12. PRIOR PERIOD ADJUSTMENT

In fiscal year 2013, the District issued \$2,745,000 of Series 2013 Unlimited Tax Refunding Bonds to advance refund \$2,335,000 of its Series 2008 and Series 2011 bonds. The reacquisition price exceeded the carrying amount of the old debt by \$244,605 (deferred charges), which was erroneously amortized through the call date of the old debt. Deferred charges on bond refundings are to be amortized over the shorter of either 1) the original life of the old debt or 2) the life of the refunding bonds. In the case of the Series 2013 refunding bonds, the deferred charges should be amortized over the life of the old debt. The effect of the correction of this error is as follows:

Net position - September 30, 2014	\$ (697,870)
Effect of adjustment	<u>169,991</u>
New position - September 30, 2014, as restated	<u><u>\$ (527,879)</u></u>

**REQUIRED
SUPPLEMENTARY INFORMATION**

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2015

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Property taxes, including penalties and interest	\$ 338,238	\$ 326,361	\$ 11,877
Service accounts, including penalties	57,082	53,832	3,250
Tap connections	65,800	84,000	(18,200)
Interest and other	2,232	1,800	432
TOTAL REVENUES	<u>463,352</u>	<u>465,993</u>	<u>(2,641)</u>
EXPENDITURES:			
Landscaping	183,058	114,000	(69,058)
Engineering fees	85,692	49,200	(36,492)
Legal fees	48,494	42,000	(6,494)
Director fees, including payroll taxes	19,425	20,554	1,129
Accounting fees	17,550	17,550	-
Utilities	16,539	15,600	(939)
Audit fees	12,000	11,500	(500)
Tax appraisal/collection	2,117	2,000	(117)
Insurance	1,505	1,800	295
Financial advisor fees	993	1,015	22
Other	2,025	3,300	1,275
TOTAL EXPENDITURES	<u>389,398</u>	<u>278,519</u>	<u>(110,879)</u>
Excess of revenues over expenditures	73,954	<u><u>\$ 187,474</u></u>	<u><u>\$ (113,520)</u></u>
FUND BALANCE:			
Beginning of the year	<u>857,373</u>		
End of the year	<u><u>\$ 931,327</u></u>		

TEXAS
SUPPLEMENTAL INFORMATION

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2015

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	\$ 3.90	0 to 7,000
				\$ 4.10	7,000 to 14,999
				\$ 4.80	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 \$ 55.60 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)	523.0		
Total Wastewater	(1)	521.0		

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

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2015

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, 2015

Personnel Expenditures (including benefits)	\$	-
Professional Fees:		
Auditing		12,000
Legal		48,494
Engineering		85,692
Financial Advisor		993
Purchased Services For Resale-		
Bulk Water and Wastewater Purchases		-
Contracted Services:		
Bookkeeping		17,550
General Manager		-
Appraisal District/Tax Collector		2,117
Other Contracted Services		183,058
Utilities		16,539
Repairs and Maintenance		-
Chemicals		-
Administrative Expenditures:		
Directors' Fees		19,425
Office Supplies		-
Insurance		1,505
Other Administrative Expenditures		2,025
Capital Outlay:		
Capitalized Assets		-
Expenditures not Capitalized		-
Bad Debt		-
Parks and Recreation		-
Other Expenditures		-
TOTAL EXPENDITURES	\$	<u>389,398</u>

Number of persons employed by the District:

Full-Time

Part-Time

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
TSI-3. TEMPORARY INVESTMENTS
SEPTEMBER 30, 2015

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	\$ 211,949	\$ -
Certificate of Deposit	XXX0156	0.4000%	10/14/2015	100,000	177
Certificate of Deposit	XXX8839	0.4000%	10/17/2015	150,000	272
Certificate of Deposit	XXX5192	0.3000%	11/29/2015	150,000	147
Certificate of Deposit	XXX3622	0.4000%	12/3/2015	145,000	183
Total				<u>756,949</u>	<u>779</u>
Debt Service Fund:					
TexPool	XXX0002	Varies	Daily	6,119	-
TexPool	XXX0003	Varies	Daily	122,893	-
TexPool	XXX0011	Varies	Daily	91,945	-
Total				<u>220,957</u>	<u>-</u>
Capital Projects Fund:					
TexPool	XXX0008	Varies	Daily	132,301	-
TexPool	XXX0009	Varies	Daily	89,927	-
TexPool	XXX0012	Varies	Daily	8,244	-
Total				<u>230,472</u>	<u>-</u>
Total - All Funds				<u>\$ 1,208,378</u>	<u>\$ 779</u>

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
TSI-4. TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2015

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>		
Taxes Receivable, Beginning of Year	\$ 5,598	\$ 3,995		
2014 Original Tax Levy	331,212	484,501		
Tax adjustments	(508)	(743)		
Rollbacks	712	600		
Total to be accounted for	<u>337,014</u>	<u>488,353</u>		
Tax collections:				
Current year	330,704	483,758		
Prior years	6,310	4,595		
Total collections	<u>337,014</u>	<u>488,353</u>		
Taxes Receivable, End of Year	<u>\$ -</u>	<u>\$ -</u>		
Taxes Receivable, By Years				
Rollbacks	\$ -	\$ -		
2013 and before	-	-		
2014	-	-		
Taxes Receivable, End of Year	<u>\$ -</u>	<u>\$ -</u>		
Property Valuations-	2014	2013	2012	2011
	(a)	(a)	(a)	(a)
Land and improvements	<u>\$ 92,813,942</u>	<u>\$ 68,439,094</u>	<u>\$ 55,283,266</u>	<u>\$ 38,813,777</u>
Total Property Valuations	<u>\$ 92,813,942</u>	<u>\$ 68,439,094</u>	<u>\$ 55,283,266</u>	<u>\$ 38,813,777</u>
Tax Rates per \$100 Valuation:				
Debt Service tax rates	\$ 0.5212	\$ 0.4115	\$ 0.4486	\$ 0.4357
Maintenance tax rates	0.3563	0.4885	0.4514	0.4643
Total Tax Rates per \$100 Valuation	<u>\$ 0.8775</u>	<u>\$ 0.9000</u>	<u>\$ 0.9000</u>	<u>\$ 0.9000</u>
Original Tax Levy	<u>\$ 815,713</u>	<u>\$ 614,979</u>	<u>\$ 498,051</u>	<u>\$ 349,324</u>
Percent of Taxes Collected to Taxes Levied **	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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, 2015

Fiscal Year Ending	Unlimited Tax Bonds Series 2008			Unlimited Tax Bonds Series 2010			Unlimited Tax Bonds Series 2012			Unlimited Tax Refunding Bonds Series 2013		
	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
2016	\$ 60,000	\$ 9,675	\$ 69,675	\$ 45,000	\$ 3,600	\$ 48,600	\$ 55,000	\$ 55,448	\$ 110,448	\$ 30,000	\$ 87,574	\$ 117,574
2017	65,000	6,750	71,750	45,000	1,800	46,800	60,000	54,348	114,348	30,000	86,974	116,974
2018	70,000	3,500	73,500	-	-	-	65,000	52,998	117,998	85,000	86,374	171,374
2019	-	-	-	-	-	-	65,000	51,373	116,373	150,000	84,461	234,461
2020	-	-	-	-	-	-	70,000	49,585	119,585	155,000	80,899	235,899
2021	-	-	-	-	-	-	75,000	47,485	122,485	165,000	76,830	241,830
2022	-	-	-	-	-	-	80,000	45,235	125,235	170,000	71,880	241,880
2023	-	-	-	-	-	-	85,000	42,715	127,715	170,000	66,780	236,780
2024	-	-	-	-	-	-	90,000	39,910	129,910	175,000	61,255	236,255
2025	-	-	-	-	-	-	95,000	36,805	131,805	185,000	55,568	240,568
2026	-	-	-	-	-	-	100,000	33,385	133,385	190,000	49,093	239,093
2027	-	-	-	-	-	-	105,000	29,685	134,685	200,000	42,443	242,443
2028	-	-	-	-	-	-	115,000	25,800	140,800	200,000	35,443	235,443
2029	-	-	-	-	-	-	120,000	21,200	141,200	210,000	28,193	238,193
2030	-	-	-	-	-	-	130,000	16,400	146,400	220,000	20,580	240,580
2031	-	-	-	-	-	-	135,000	11,200	146,200	230,000	12,330	242,330
2032	-	-	-	-	-	-	145,000	5,800	150,800	95,000	3,705	98,705
2033	-	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 195,000</u>	<u>\$ 19,925</u>	<u>\$ 214,925</u>	<u>\$ 90,000</u>	<u>\$ 5,400</u>	<u>\$ 95,400</u>	<u>\$ 1,590,000</u>	<u>\$ 619,372</u>	<u>\$ 2,209,372</u>	<u>\$ 2,660,000</u>	<u>\$ 950,382</u>	<u>\$ 3,610,382</u>

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2015

Fiscal Year Ending	Unlimited Tax Bonds Series 2013A			Unlimited Tax Bonds Series 2014			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
2016	\$ 75,000	\$ 84,538	\$ 159,538	\$ 5,000	\$ 69,444	\$ 74,444	\$ 270,000	\$ 310,279	\$ 580,279
2017	75,000	82,288	157,288	5,000	69,294	74,294	280,000	301,454	581,454
2018	75,000	80,038	155,038	5,000	69,144	74,144	300,000	292,054	592,054
2019	100,000	77,788	177,788	5,000	68,994	73,994	320,000	282,616	602,616
2020	100,000	74,788	174,788	25,000	68,844	93,844	350,000	274,116	624,116
2021	100,000	71,788	171,788	25,000	68,031	93,031	365,000	264,134	629,134
2022	100,000	68,788	168,788	25,000	67,219	92,219	375,000	253,122	628,122
2023	100,000	65,538	165,538	25,000	66,406	91,406	380,000	241,439	621,439
2024	100,000	62,038	162,038	50,000	65,594	115,594	415,000	228,797	643,797
2025	125,000	58,288	183,288	50,000	63,969	113,969	455,000	214,630	669,630
2026	125,000	53,288	178,288	75,000	62,344	137,344	490,000	198,110	688,110
2027	125,000	48,288	173,288	75,000	59,906	134,906	505,000	180,322	685,322
2028	125,000	43,163	168,163	75,000	57,469	132,469	515,000	161,875	676,875
2029	150,000	37,850	187,850	75,000	55,031	130,031	555,000	142,274	697,274
2030	150,000	31,250	181,250	75,000	52,594	127,594	575,000	120,824	695,824
2031	150,000	23,750	173,750	75,000	50,063	125,063	590,000	97,343	687,343
2032	150,000	16,250	166,250	200,000	47,531	247,531	590,000	73,286	663,286
2033	175,000	8,750	183,750	450,000	40,781	490,781	625,000	49,531	674,531
2034	-	-	-	675,000	24,469	699,469	675,000	24,469	699,469
	<u>\$ 2,100,000</u>	<u>\$ 988,469</u>	<u>\$ 3,088,469</u>	<u>\$ 1,995,000</u>	<u>\$ 1,127,127</u>	<u>\$ 3,122,127</u>	<u>\$ 8,630,000</u>	<u>\$ 3,710,675</u>	<u>\$ 12,340,675</u>

**LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
TSI-6. CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2015**

	<u>Bond Issue Series 2008</u>	<u>Bond Issue Series 2010</u>	<u>Bond Issue Series 2012</u>	<u>Bond Issue Series 2013</u>	<u>Bond Issue Series 2013A</u>	<u>Bond Issue Series 2014</u>	<u>Total</u>
Interest Rate	4.875% - 6.000%	4.00% - 5.40%	2.00% - 4.00%	2.00% - 3.90%	3.00% - 5.00%	3.00% - 3.625%	
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	
Maturity Dates	9/1/2018	9/1/2017	9/1/2032	9/1/2032	9/1/2033	9/1/2034	
Bonds Outstanding at Beginning of Current Fiscal Year	\$ 255,000	\$ 135,000	\$ 1,645,000	\$ 2,690,000	\$ 2,175,000	\$ -	\$ 6,900,000
Bonds Sold During the Current Fiscal Year	-	-	-	-	-	2,000,000	2,000,000
Retirements During the Current Fiscal Year:							
Principal	(60,000)	(45,000)	(55,000)	(30,000)	(75,000)	(5,000)	(270,000)
Refunded	-	-	-	-	-	-	-
Bonds Outstanding at End of Current Fiscal Year	<u>\$ 195,000</u>	<u>\$ 90,000</u>	<u>\$ 1,590,000</u>	<u>\$ 2,660,000</u>	<u>\$ 2,100,000</u>	<u>\$ 1,995,000</u>	<u>\$ 8,630,000</u>
Interest Paid During the Current Fiscal Year	<u>\$ 13,276</u>	<u>\$ 5,626</u>	<u>\$ 56,548</u>	<u>\$ 88,174</u>	<u>\$ 86,788</u>	<u>\$ 50,259</u>	<u>\$ 300,671</u>
Paying Agent's Name & Address:	<u>Bank of Texas</u>	<u>Bank of Texas</u>	<u>Bank of Texas</u>	<u>Bank of Texas</u>	<u>Bank of Texas</u>	<u>Bank of Texas</u>	
	<u>Austin, TX</u>	<u>Austin, TX</u>	<u>Austin, TX</u>	<u>Austin, TX</u>	<u>Austin, TX</u>	<u>Austin, TX</u>	
Bond Authority:	<u>Unlimited Tax Bonds*</u>	<u>Recreational Facilities*</u>	<u>Refunding Bonds*</u>				
Amount Authorized by Voters	\$ 59,475,000	\$ -	\$ -	**			
Amount Issued	<u>(8,975,000)</u>	<u>-</u>	<u>2,720,000</u>				
Remaining To Be Issued	<u>\$ 50,500,000</u>	<u>\$ -</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, 2015: \$ 220,957

Average Annual Debt Service Payment (Principal & Interest)
for the remaining term of all debt \$ 649,509

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL AND DEBT SERVICE FUNDS-FIVE YEARS
SEPTEMBER 30, 2015

	Amounts					Percent of Fund Total Revenues				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
GENERAL FUND REVENUES :										
Property taxes, including penalties and interest	\$ 338,238	\$ 333,623	\$ 253,390	\$ 177,035	\$ 171,419	73.0%	74.3%	62.1%	58.0%	59.6%
Service accounts, including penalties	57,082	48,835	41,289	35,102	27,093	12.3%	10.9%	10.1%	11.5%	9.4%
Tap connections	65,800	64,400	110,600	91,000	87,500	14.2%	14.3%	27.2%	29.8%	30.4%
Interest and other	2,232	2,370	2,580	1,936	1,563	0.5%	0.5%	0.6%	0.7%	0.6%
TOTAL GENERAL FUND REVENUES	463,352	449,228	407,859	305,073	287,575	100.0%	100.0%	100.0%	100.0%	100.0%
GENERAL FUND EXPENDITURES:										
Director fees, including payroll taxes	19,425	15,663	15,663	12,111	10,334	4.2%	3.5%	3.8%	4.0%	3.6%
Legal fees	48,494	44,710	41,097	32,362	29,474	10.5%	10.0%	10.0%	10.5%	10.2%
Engineering fees	85,692	60,360	66,716	32,691	25,914	18.5%	13.4%	16.3%	10.6%	9.0%
Financial advisor fees	993	1,146	1,059	1,218	973	0.2%	0.3%	0.3%	0.4%	0.3%
Accounting fees	17,550	17,550	17,550	17,550	17,550	3.8%	3.9%	4.3%	5.8%	6.1%
Audit fees	12,000	11,500	11,500	11,000	10,500	2.5%	2.5%	2.8%	3.6%	3.7%
Utilities	16,539	13,874	13,552	10,854	8,805	3.6%	3.1%	3.3%	3.6%	3.1%
Insurance	1,505	1,375	1,269	804	200	0.3%	0.3%	0.3%	0.3%	0.1%
Landscaping	183,058	130,304	46,081	30,666	29,668	39.5%	29.0%	11.3%	10.1%	10.3%
Tax appraisal/collection	2,117	1,940	1,487	1,050	1,036	0.5%	0.4%	0.4%	0.3%	0.4%
Other	2,025	2,085	2,960	1,382	2,387	0.4%	0.5%	0.7%	0.5%	0.8%
Operating transfer	-	-	-	7,283	-	-	-	-	2.4%	-
Capital outlay	-	-	-	-	7,400	-	-	-	-	2.6%
TOTAL GENERAL FUND EXPENDITURES	389,398	300,507	218,934	158,971	144,241	84.0%	66.9%	53.5%	52.1%	50.2%
EXCESS OF GENERAL FUND REVENUES OVER EXPENDITURES	\$ 73,954	\$ 148,721	\$ 188,925	\$ 146,102	\$ 143,334	16.0%	33.1%	46.5%	47.9%	49.8%
DEBT SERVICE FUND REVENUES AND OTHER SOURCES:										
Property taxes, including penalties and interest	\$ 489,187	\$ 281,037	\$ 251,626	\$ 166,130	\$ 132,661	76.8%	58.5%	60.3%	47.7%	98.5%
Interest	303	156	380	1,043	1,984	0.1%	-	0.1%	0.3%	1.5%
Bond proceeds, net of payment to refunding agent	147,148	199,555	165,395	181,421	-	23.1%	41.5%	39.6%	52.0%	-
TOTAL DEBT SERVICE FUND REVENUES AND OTHER SOURCES	636,638	480,748	417,401	348,594	134,645	100.0%	100.0%	100.0%	100.0%	100.0%
DEBT SERVICE FUND EXPENDITURES AND OTHER USES:										
Bond principal	270,000	250,000	150,000	85,000	-	42.4%	52.0%	35.9%	24.4%	-
Bond interest	300,671	234,379	184,541	158,240	158,240	47.2%	48.8%	44.2%	45.4%	117.5%
Fiscal agent fees and other	10,433	4,952	140,938	2,929	1,974	1.7%	1.0%	33.8%	0.8%	1.5%
Bond discount	-	-	31,372	47,437	-	-	-	7.5%	13.6%	-
TOTAL DEBT SERVICE FUND EXPENDITURES AND OTHER USES	581,104	489,331	506,851	293,606	160,214	91.3%	101.8%	121.4%	84.2%	119.0%
EXCESS (DEFICIT) OF DEBT SERVICE FUND REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 55,534	\$ (8,583)	\$ (89,450)	\$ 54,988	\$ (25,569)	8.7%	(1.8)%	(21.4)%	15.8%	(19.0)%
TOTAL ACTIVE RETAIL WATER CONNECTIONS	523	435	384	319	250					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	521	432	382	316	248					

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2015

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): September 9, 2015

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
		9/30/15	9/30/15	
<i>Current Board Members:</i>				
Tom Corbett	(Elected) 11/4/2014 - 11/6/2018	\$ 6,150	\$ -	President
Mike Zeniecki	(Elected) 11/6/2012 - 11/8/2016	\$ 6,150	\$ 148	Vice-President
David Cotton	(Appointed) 11/12/2014 - 11/8/2016	\$ 1,650	\$ -	Secretary
J.D. Scott	(Elected) 11/4/2014 - 11/6/2018	\$ 2,250	\$ 32	Treasurer
Laura Olszeski	(Appointed) 9/9/2015 11/6/2018	\$ 150	\$ -	Assistant Sec. / Treasurer
<i>Former Board Members:</i>				
Tim Coffelt	(Elected) 11/4/2014 - 11/6/2018	\$ 900	\$ -	Former Treasurer
Mark Matthews	(Elected) 5/8/10 - 11/4/2014	\$ 300	\$ -	Former Assistant Sec. / Treasurer
John A. Howell	(Elected) 11/6/2012 - 11/8/2016	\$ 300	\$ -	Former Secretary

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

Consultants:

Armbrust & Brown, PLLC	9/13/2006	\$ 47,614	\$ -	Attorney
Gray & Associates, Inc.	9/6/2005	\$ 95,849	\$ -	Engineer
Bott & Douthitt, PLLC	7/1/2009	\$ 17,550	\$ 118	District Accountant
Public Finance Group LLC	3/12/2014	\$ 1,830	\$ -	Financial Advisor
Maxwell Locke & Ritter LLP	10/8/2008	\$ 12,000	\$ -	Auditor
Travis County Tax Collector	10/11/2006	\$ 4,624	\$ -	Tax Collector

**OTHER
SUPPLEMENTAL INFORMATION**

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
OSI-1. PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2015

Taxpayer	Type of Property	Tax Roll Year		
		2015	2014	2013
Gehan Homes Ltd.	N/A	\$ 768,647	\$ 2,526,715	\$ 914,068
Brohn Group LLC	N/A	682,781	-	-
Rowe Lane 285 LP	N/A	653,376	-	-
Commons at Rowe Lane LP	N/A	536,689	454,639	492,835
Homeowner	N/A	354,316	-	-
Homeowner	N/A	345,704	-	-
Homeowner	N/A	344,899	-	-
Homeowner	N/A	344,798	306,483	-
Homeowner	N/A	342,492	-	-
Homeowner	N/A	342,202	302,943	280,191
Wheels LT	N/A	-	581,066	-
Homeowner	N/A	-	478,376	431,185
Gehan Homes Ltd.	N/A	-	322,284	305,870
Homeowner	N/A	-	304,051	280,988
Homeowner	N/A	-	301,744	-
Homeowner	N/A	-	301,584	-
Homeowner	N/A	-	-	272,906
Homeowner	N/A	-	-	271,047
Homeowner	N/A	-	-	270,556
Homeowner	N/A	-	-	268,439
Total		\$ 4,715,904	\$ 5,879,885	\$ 3,788,085
Percent of Assessed Valuation before Adjustments		3.8%	6.2%	5.4%

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
OSI-2. ASSESSED VALUE BY CLASSIFICATION
SEPTEMBER 30, 2015

Type of Property	Tax Roll Year					
	2015		2014		2013	
	Amount	%	Amount	%	Amount	%
Single Family Residence	\$ 117,586,221	98.9%	\$ 89,312,791	96.2%	\$ 66,650,229	97.4%
Vacant Lot	299,190	0.2%	98,258	0.1%	130,507	0.2%
Qualified Ag Land	1,039,913	0.9%	80,177	0.1%	57,560	0.1%
Non-Qualified Land	1,266,282	1.1%	555,231	0.6%	576,451	0.8%
Commercial Personal Property	485,190	0.4%	972,599	1.1%	319,699	0.5%
Residential Inventory	3,053,025	2.5%	3,639,569	3.9%	1,718,047	2.5%
Totally Exempt Property	73,675	0.1%	73,675	0.1%	73,500	0.1%
Subtotal	123,803,496	104.1%	94,732,300	102.1%	69,525,993	101.6%
Plus/Minus: Adjustments	(4,896,288)	-4.1%	(1,918,358)	-2.1%	(1,086,899)	-1.6%
Total	<u>\$ 118,907,208</u>	<u>100.0%</u>	<u>\$ 92,813,942</u>	<u>100.0%</u>	<u>\$ 68,439,094</u>	<u>100.0%</u>

APPENDIX B
Form of Bond Counsel Opinion

FREEMAN & CORBETT

PHONE (512) 451-6689

8500 Bluffstone Cove, Suite B-104
Austin, Texas 78759

(512) 453-0865

July 14, 2016

We have acted as Bond Counsel for Lakeside Municipal Utility District No. 3 (the "District") in connection with the issuance of bonds (the "Bonds") by the District described as follows:

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3 UNLIMITED TAX BONDS, SERIES 2016, dated July 14, 2016, in the aggregate principal amount of \$4,000,000, maturing at the times and bearing interest at the respective rates per annum as provided in the resolution authorizing issuance of the Bonds (the "Bond Resolution").

The Bonds maturing on or after September 1, 2023, are redeemable, in whole or in part, at the option of the District on September 1, 2022, or on any date thereafter, at a price of the par value thereof plus accrued interest to the date of redemption, in the manner provided in the Bond Resolution. Additionally, the Bonds maturing on September 1, 2031 and September 1, 2033 are subject to mandatory redemption prior to maturity at the times and in the amounts provided in the Bond Resolution. The Bonds are registered as to both principal and interest and are transferable, registrable, and payable in the manner provided in the Bond Resolution.

WE HAVE ACTED AS BOND COUNSEL 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. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon certificates executed by officers, directors, agents and representatives of the District. We have assumed no responsibility with respect to the financial condition of the District or the reporting or disclosure thereof in connection with the sale of the Bonds.

IN OUR CAPACITY AS BOND COUNSEL, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds which contains certified copies of certain proceedings of the Board of Directors of the District, customary certificates of officers, agents and representatives of the District and other certified showings related to the authorization and issuance of the Bonds. We have also examined the executed Initial Bond No. I-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the District has been validly created and organized and that the transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective; that therefore the Bonds are valid and legally binding obligations of the District, and all taxable property in the District is subject to the levy of ad valorem taxes to pay same, without legal limitation as to rate or amount.

July 14, 2016

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The District has reserved the right in the Bond Resolution to issue additional bonds payable from ad valorem taxes on a parity with the pledge to pay the Bonds. The District has also reserved the right to issue revenue bonds, special project bonds and refunding bonds. Reference is made to the Bond Resolution for a complete description of the District's right to issue additional bonds.

The Bonds are obligations solely of the District and are not the obligations of the State of Texas or any other political subdivision or agency. The District's obligations with respect to the Bonds are subject to limitation by applicable federal bankruptcy laws and other laws which may from time to time affect the rights of creditors of political subdivisions.

We express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Bonds.

Our opinions are based on existing statutes, court decisions and other 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 this opinion to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any statutes, case law or other law that may hereafter occur or become effective.

APPENDIX C
Form of Special Tax Counsel Opinion

LAW OFFICES

McCALL, PARKHURST & HORTON L.L.P.

600 CONGRESS AVENUE
SUITE 1800
AUSTIN, TEXAS 78701-3248
TELEPHONE: (512) 478-3805
FACSIMILE: (512) 472-0871

717 NORTH HARWOOD
SUITE 900
DALLAS, TEXAS 75201-6587
TELEPHONE: (214) 754-9200
FACSIMILE: (214) 754-9250

700 N. ST. MARY'S STREET
SUITE 1525
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: (210) 225-2800
FACSIMILE: (210) 225-2984

July 14, 2016

We have acted as Special Tax Counsel in connection with the issuance and sale by the Lakeside Municipal Utility District No. 3 (the "Issuer") of \$4,000,000* aggregate principal amount of its Unlimited Tax Bonds, Series 2016 (the "Bonds").

In connection with the issuance of the Bonds, we have reviewed the following:

- (a) the Resolution of the Issuer authorizing the issuance and sale of the Bonds;
- (b) schedules prepared by, and representations of, Public Finance Group LLC and the purchaser of the Bonds with respect to the issue price and yield of the Bonds and the purchase price;
- (c) the Federal Tax Certificate of the Issuer dated as of the date of this opinion;
- (d) the opinion of Freeman & Corbett as Bond Counsel dated as of the date of this opinion;
- (e) covenants of the Issuer regarding the use of the facilities financed with the proceeds of the Bonds and the use and investment of the proceeds of the Bonds and other funds of the Issuer; and
- (f) such other documents as we deem relevant and necessary in rendering this opinion.

IN OUR OPINION, except as discussed below, the interest on the Bonds is excludable from the gross income of the owners 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 or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code").

IN RENDERING THIS OPINION, we have relied upon the opinion of Freeman & Corbett referred to in subparagraph (d) above for authority that the Bonds are validly issued under applicable state and local laws and are payable from the proceeds of ad valorem taxes levied, without legal limit as to rate or amounts, on all taxable property located within the Issuer; and the representations, opinion, certificate and covenants referred to in subparagraphs (b), (d), and (e) above.

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.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

Respectfully yours,

APPENDIX D
Specimen Municipal Bond Insurance Policy

FINANCIAL GUARANTY INSURANCE POLICY
National Public Finance Guarantee Corporation
Purchase, New York 10577

Policy No. [POLICY #]

National Public Finance Guarantee Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT], [PAYING AGENT CITY & STATE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR AMOUNT]
[FIRST LINE OF LEGAL TITLE]
[SECOND LINE OF LEGAL TITLE]
[THIRD LINE OF LEGAL TITLE]
[FOURTH LINE OF LEGAL TITLE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 1 Manhattanville Road, Suite 301, Purchase, New York 10577 and such service of process shall be valid and binding.

This policy is non-cancellable by the Insurer for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations. The Insurer may not cancel or refuse to renew this policy based solely on the fact that the policyholder is an elected official.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH], [YEAR].

**National Public Finance
Guarantee Corporation**

President

Attest: _____
Secretary

DISCLOSURE OF GUARANTY FUND NONPARTICIPATION: In the event the Insurer is unable to fulfill its contractual obligation under this policy or contract or application or certificate or evidence of coverage, the policyholder or certificateholder is not protected by an insurance guaranty fund or other solvency protection arrangement.