

**Lakeside
Municipal Utility District
No. 3**

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

**LAKESIDE
MUNICIPAL UTILITY DISTRICT NO. 3**

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ANNUAL FILING AFFIDAVIT

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS

COUNTY OF TRAVIS

I, J.D. Scott, President of the Board of Directors of
(Name of Duly Authorized District Representative)

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

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

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

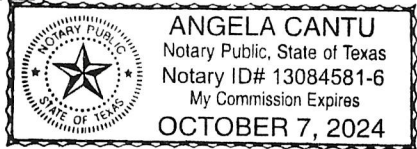
The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of the Texas Water Code Section 49.194.

Date: Jan 19, 2021 By: [Signature]
(Signature of District Representative)

J.D. Scott, President, Board of Directors
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 19th day of January, 2021.

(SEAL)



[Signature]
(Signature of Notary)
Angela Cantu
(Printed Name of Notary)

My Commission Expires On: October 7, 2024.
Notary Public in the State of Texas

INDEPENDENT AUDITORS' REPORT



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

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Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Maxwell Locke & Ritter LLP

Austin, Texas
January 13, 2021

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

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

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

FINANCIAL HIGHLIGHTS

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

OVERVIEW OF THE DISTRICT

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

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

USING THIS ANNUAL REPORT

This annual report consists of six parts:

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

Summary Statement of Net Position

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

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

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

Revenues and Expenses:

Summary Statement of Activities

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

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

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

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

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

ANALYSIS OF GOVERNMENTAL FUNDS

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

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

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

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

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

BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS

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

Summary of Capital Assets, net

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

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 2012 | \$ 240,000 |
| Series 2013 | 505,000 |
| Series 2013A | 200,000 |
| Series 2014 | 1,950,000 |
| Series 2016 | 3,675,000 |
| Series 2018 | 3,430,000 |
| Series 2019 | 4,060,000 |
| Total | \$ 14,060,000 |

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

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

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

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

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

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

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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

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

The accompanying notes are an integral part of this statement.

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

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

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

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

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

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

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

Basis of Accounting

- **Governmental Funds**

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

- **Governmental Funds (continued)**

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

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

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

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

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

| Asset | Years |
|--|-------|
| Water, wastewater, and drainage facilities | 50 |

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

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

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

2. RECONCILIATION OF THE GOVERNMENTAL FUNDS

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

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

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

2. RECONCILIATION OF THE GOVERNMENTAL FUNDS (continued) -

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

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

3. CASH AND CASH EQUIVALENTS

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

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

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

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

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

3. CASH AND CASH EQUIVALENTS (continued) -

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

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

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

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

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

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

3. CASH AND CASH EQUIVALENTS (continued) -

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

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

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

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

4. PROPERTY TAXES

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

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

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

4. PROPERTY TAXES (continued) -

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

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

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

5. INTERFUND ACCOUNTS

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

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

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

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

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

7. DEFERRED OUTFLOWS OF RESOURCES

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

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

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

8. LONG-TERM DEBT

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

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

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

Unlimited Tax Bonds:

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

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

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

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

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

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

8. LONG-TERM DEBT (continued) -

Unlimited Tax Refunding Bonds:

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

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

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

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

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

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

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

9. COMMITMENTS AND CONTINGENCIES

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

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

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

10. RISK MANAGEMENT

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

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

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

11. FUND BALANCES

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

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

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

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

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

**REQUIRED
SUPPLEMENTARY INFORMATION**

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

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

TEXAS
SUPPLEMENTAL INFORMATION

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

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

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

2. Retail Service Providers

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

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

District employs winter averaging for wastewater usage? Yes No

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

b. Water and Wastewater Retail Connections:

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

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

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

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

Gallons pumped into system: _____ (1)

Gallons billed to customers: _____ (1)

| |
|--|
| <u>Water Accountability Ratio</u> (Gallons billed / Gallons Pumped) N/A |
|--|

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

Does the District assess standby fees? Yes No

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

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

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

5. Location of District

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

Is the District located entirely within one county? Yes No

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

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

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

Entirely Partly Not at all

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

Are Board members appointed by an office outside the district?

Yes No

If Yes, by whom? _____

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

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

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

Number of persons employed by the District:

Full-Time

Part-Time

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

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

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

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

| Property Valuations- | <u>2019</u> (a) | <u>2018</u> (a) | <u>2017</u> (a) | <u>2016</u> (a) |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| Land and improvements | <u>\$ 218,048,102</u> | <u>\$ 207,588,394</u> | <u>\$ 180,116,054</u> | <u>\$ 154,037,014</u> |
| Total Property Valuations | <u><u>\$ 218,048,102</u></u> | <u><u>\$ 207,588,394</u></u> | <u><u>\$ 180,116,054</u></u> | <u><u>\$ 154,037,014</u></u> |
| Tax Rates per \$100 Valuation: | | | | |
| Debt Service tax rates | \$ 0.4165 | \$ 0.4793 | \$ 0.4195 | \$ 0.5490 |
| Maintenance tax rates | <u>0.4235</u> | <u>0.3607</u> | <u>0.4205</u> | <u>0.2910</u> |
| Total Tax Rates per \$100 Valuation | <u><u>\$ 0.8400</u></u> | <u><u>\$ 0.8400</u></u> | <u><u>\$ 0.8400</u></u> | <u><u>\$ 0.8400</u></u> |
| Original Tax Levy | <u><u>\$ 1,831,604</u></u> | <u><u>\$ 1,743,743</u></u> | <u><u>\$ 1,512,975</u></u> | <u><u>\$ 1,293,911</u></u> |
| Percent of Taxes Collected to Taxes Levied ** | <u><u>99.8%</u></u> | <u><u>100.0%</u></u> | <u><u>100.0%</u></u> | <u><u>100.0%</u></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, 2020

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

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

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

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

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

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL AND DEBT SERVICE FUNDS - FIVE YEARS
SEPTEMBER 30, 2020

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

LAKESIDE MUNICIPAL UTILITY DISTRICT NO. 3
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2020

Complete District Mailing Address: 100 Congress Ave., Suite 1300
Austin, TX 78701

District Business Telephone Number: (512) 435-2300

Submission Date of the most recent District Registration Form TWC Sections 36.054 & 49.054): November 14, 2018

Limits on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution TWC Section 49.060) \$7,200

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

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

Consultants:

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

**OTHER
SUPPLEMENTAL INFORMATION**

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

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

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

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