

shall, from then on, pay an L.U.E. Fee that is equal to the City's impact fee in effect at the time of the connection. The L.U.E. Fee for a multifamily or non-residential customer shall be determined on an L.U.E. equivalent basis, i.e. the City's impact fee in effect at the time of the connection for each L.U.E. equivalent in accordance with the City of Pflugerville L.U.E. equivalency criteria.

(iii) The City shall then deposit all the L.U.E. Fees that it collects under this Agreement in accordance with the provisions of the Participating Agreement and the Escrow Agreement.

Subject to the provisions of the Agreement, payment of the L.U.E. Fee's to the City by Developer or the District under this provision shall be deemed to be full payment of an L.U.E. Fee to Kelly Lane.

(2) Notwithstanding the foregoing, in the event Kelly Lane should, in good faith, declare that the City has breached or defaulted on the Participating Agreement (including any amendments to the Participating Agreement) or if the City ceases to operate the Kelly Lane Collection System, then Kelly Lane shall have the unilateral right to notify the District that the amount under the Agreement for each of the L.U.E. fee is \$2,955.00 and such amount shall thereafter be paid by the District or Developer directly to Kelly Lane immediately upon receipt of such notice from Kelly Lane. The sum of \$2,955.00 as the L.U.E. fee applies to a multi-family or non-residential customer and shall be determined on an L.U.E. equivalent basis, that is, \$2,955.00 for each L.U.E. equivalent in accordance with the City of Austin L.U.E. equivalency criteria.

B. Section 2.7(d). Section 2.7(d) is amended by adding a new subsection 2.7(d)(6) as follows:

(6) Notwithstanding the foregoing Subsections 2.7(d)(3), (4), and (5), during the term of the Professional Services Agreement for Wastewater Collection System Operation and Billing Services dated effective December 1, 2002 between Kelly Lane and the City (entered pursuant to the Participating Agreement), the Monthly Rate shall not be adjusted to an amount that exceeds the Monthly Rate in effect on December 1, 2002.

C. Section 6.7.1. A new Section 6.7.1 is added to the Agreement as follows:

Section 6.7.1: Assignment by a District. In addition to the provisions concerning assignability under Section 6.7 of this Agreement, this Agreement shall be assignable, in whole or in part, by any district, operating under the authority of Article XVI, Section 59 of the Texas Constitution, to any other district containing a portion of the Land, without the prior written consent of the Company provided that the receiving district gives notice in writing to Kelly Lane and the City prior to such assignment and assigning district has paid all sums due to the City and/or Kelly Lane and that the receiving district agrees to

assume all of the obligations of developer and assigning district under this Agreement with respect to any portion of the Land included within the assignment. Upon such assignment by a district to another district, with respect to any portion of the Land included within the assignment, the receiving district shall succeed to the rights and obligations of the developer and the assigning district under this Agreement, and developer and the assigning district shall be released and relieved of all responsibilities and obligations under this Agreement as long as all sums due by the assigning district and developer are paid as of the date of the assignment.

3. Effect of Amendment. Except as specifically provided in this Amendment, the terms of the Agreement continue to govern the rights and obligations of the parties, and all terms of the Agreement, as amended by this Amendment, remain in full force and effect. If there is any conflict or inconsistency between this Amendment and the Agreement, this Amendment will control and modify the Agreement.

EXECUTED on the date or dates set forth below, to be effective on the date the last party signs.

KELLY LANE

KELLY LANE UTILITY COMPANY,
a Texas corporation

By: _____

Kenneth W. Durr, President

Date: 7/21/03

CITY

CITY OF PFLUGERVILLE, TEXAS,

By: _____

Steve Jones, City Manager

Date: 6/26/03

DEVELOPER:

ROWE LANE DEVELOPMENT, LTD.
a Texas limited partnership

By: Tiemann Land and Cattle

Development, Inc., its general partner

By: _____

Robert M. Tiemann, President

Date: 6-3-03

DISTRICT 2A

LAKESIDE WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 2A.

By: _____

Marianne Caswell, President

Date: 9-3-03

ATTACHMENT I

Lakeside WCID 2D

RJE #	Name	Sect #	Acres	SF	Plat	Status	Service Date
1328	Reserve @ West Creek		172.36	596	2006224774	Recorded	11/21/2006
1085	Park VI	1	55.59	147	200700176	Recorded	6/1/2007
1542	Park VI	2	13.47	49		Design	
2258	Park VI	3		101		Future	
2259	Park VI	4		108		Future	
2215	Park VI	5	10.67	40		Design	
	Sub-Total		79.73	147	298		
	Total		252.09	743	298		

298

ATTACHMENT J

Kathleen Hartnett White, *Chairman*
Larry R. Soward, *Commissioner*
H. S. Buddy Garcia, *Commissioner*
Glenn Shankle, *Executive Director*



PWS ID #2270033 CO

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

May 3, 2007

MR. R. BRENT JONES, P.E.
RANDALL JONES ENGINEERING, INC.
1212 E. BRAKER LN.
AUSTIN, TEXAS 78753

Re: Manville WSC - Public Water System I.D. #2270033
Proposed Water Distribution System Modification - Park At Blackhawk VI Section 1
Engineer Contact Telephone: (512) 836-4793
Plan Review Log Number 200612-163
Travis County, Texas

CN600674121; RN101271088

Dear Mr. Jones:

The planning material received on December 22, 2006, with your letter dated December 20, 2006, and additional material received on April 18, 2007, for the proposed water distribution system modification has been reviewed. The project generally meets the minimum requirements of the TCEQ's Chapter §290 - Rules and Regulations for Public Water Systems (Rules) and is conditionally approved for construction if the project plans and specifications meet the following requirements:

1. Specifications and engineering drawings for this plan submittal state that construction shall be in accordance with standard specifications of the City of Pflugerville. Please note that TCEQ's specifications for location of waterlines as required in 30 TAC §290.44(e) (Rules and Regulations for Public Water Systems) are minimum requirements. When conflicts are noted with local requirements, the more stringent requirement shall be required. Construction for public water systems must always, at a minimum, meet TCEQ's "Rules and Regulations for Public Water Systems."
2. Specifications for waterline and wastewater line separation distances must conform to 30 TAC §290.44(e) (February 2004 revision). The engineer shall ensure that special attention is paid to separation distance requirements of 30 TAC §290.44(e) when water line crosses under or above a sanitary sewer line and specifically to requirement 30 TAC §290.44(e)(4)(B)(iv)(III) when the waterline crosses under a sanitary sewer line. When water line crosses under a sanitary sewer line the waterline shall be either ductile iron or steel

Mr. R. Brent Jones, P.E.

Page 2

May 3, 2007

pipe with mechanical or welded joints or DR18 PVC pipe encased in 18-foot (or longer) section of pipe, which is at least two nominal pipe diameters larger than the waterline, with a minimum stiffness of 115 psi at 5% deflection meeting the requirements listed under 30 TAC §290.44(e)(4)(B)(iv)(II) and shall provide an absolute minimum of one foot spacing between the crossing lines, and the joints shall be centered. Both the waterline and wastewater line must pass a pressure and leakage test as specified in AWWA C600. The engineer shall ensure that the plans and specifications are updated indicating compliance with these requirements.

3. Water transmission and distribution lines must be installed in accordance with the manufacturer's instructions. However, the top of the water line must be located below the frost line and in no case shall the top of the water line be less than 24 inches below ground surface [290.44(a)(4)].
4. All newly installed pipes and related products must conform to American National Standards Institute/National Sanitation Foundation (ANSI/NSF) Standard 61 and must be certified by an organization accredited by ANSI [290.44(a)(1)].
5. The use of pipes and pipe fittings that contain more than 8.0% lead or solders and flux that contains more than 0.2% lead is prohibited [290.44(b)(1)].
6. All plastic pipe used in public water systems must also bear the National Sanitation Foundation Seal of Approval (NSF-pw) and have an ASTM design pressure rating of at least 150 psi or a standard dimension ratio of 26 or less [290.44(a)(2)].
7. The system must be designed to maintain a minimum pressure of 35 psi at all points within the distribution network at flow rates of at least 1.5 gallons per minute per connection. When the system is intended to provide fire fighting capability, it must also be designed to maintain a minimum pressure of 20 psi under combined fire and drinking water flow conditions [290.44(d)].
8. The system shall be provided with sufficient valves and blowoffs so that necessary repairs can be made without undue interruption of service over any considerable area and for flushing the system when required. The engineering report shall establish criteria for this design [§290.44(d)(5)].
9. Air release devices shall be installed in the distribution system at all points where topography or other factors may create air locks in the lines and shall be installed in such a manner as to preclude the possibility of submergence or possible entrance of contaminants. In this respect, all openings to the atmosphere shall be covered with 16-mesh or finer, corrosion-resistant screening material or an acceptable equivalent [290.44(d)(1)].

Mr. R. Brent Jones, P.E.

Page 3

May 3, 2007

10. The system shall be designed to afford effective circulation of water with a minimum of dead ends. All dead-end mains shall be provided with acceptable flush valves and discharge piping. All dead-end lines less than two inches in diameter will not require flush valves if they end at a customer service. Where dead ends are necessary as a stage in the growth of the system, they shall be located and arranged with a view to ultimately connecting them to provide circulation [290.44(d)(6)].
11. The waterlines must be disinfected prior to use in accordance with the current standard, AWWA C651. A minimum of one bacteriological sample shall be collected for each 1,000 feet of completed waterline to check efficiency of disinfection procedures and shall be repeated if contamination persists [§290.44(f)(3)].
12. The hydrostatic leakage rate shall not exceed the amount allowed or recommended by AWWA formulas [§290.44(a)(5)].

The submittal consisted of 41 sheets of engineering drawings and technical specifications. The approved project consists of:

- 7,714 linear feet(l.f.) of 8-inch AWWA C-900 (latest version) DR 26 PVC waterline piping and associated valves, fittings, fire hydrants, service lines, meters and all other related appurtenances; and,
- Revised general notes sheet, 2 of 42, and sheet 31 of 42 adding waterline/wastewater line crossing detail meeting §290.44(e) requirements.

This approval is for the construction of the above listed items only. The wastewater components contained in this design were not considered.

The Manville WSC public water supply system provides water treatment for the system.

An appointed engineer must notify the TCEQ's Region 11 Office at (512) 239-2929 when construction will start.

Please keep in mind that upon completion of the water works project, the engineer or owner will notify the commission's Water Supply Division, in writing, as to its completion and attest to the fact that the completed work is substantially according to the plans and change orders on file with the commission as required in §290.39(h)(3) of the Rules.

Please refer to the Utilities Technical Review Team's Log No. 200612-163 in all correspondence for this project. This will help complete our review and prevent it from being considered a new project.

Mr. R. Brent Jones, P.E.

Page 4

May 3, 2007

Please complete a copy of the most current Public Water System Plan Review Submittal form for future submittal to TCEQ for review of improvements to a Public Water System. Every blank on the form must be completed to minimize any delays in review of your project. The document is available on our website at the address shown below.

<http://www.tceq.state.tx.us/assets/public/permitting/forms/10233.pdf>

For future reference, you can review part of the Utilities Technical Review Team's database to see if we have received your project. This is available on the TCEQ's homepage on the Internet at the following address:

http://www.tceq.state.tx.us/assets/public/permitting/watersupply/ud/planrev_list.pdf

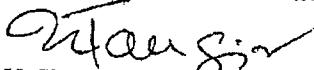
You can download most of the well construction checklists and the latest revision of Chapter 290 "Rules and Regulations for Public Water Systems" from this site.

If you have any questions please contact me at (512)239-0844 or the Internet address: "hgraham@tceq.state.tx.us" or if by correspondence, include MC 153 in the letterhead address below.

Sincerely,



Heidi Graham, E.I.T.
Utilities Technical Review Team
Water Supply Division MC-153
Texas Commission on Environmental Quality

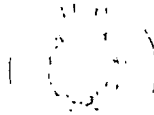


U. Shanker Tangirala, P.E.
Utilities Technical Review Team
Water Supply Division MC-153
Texas Commission on Environmental Quality

HG/UST/al

cc: Manville WSC - Attn: Mr. Tony Graf, General Manager, P.O. Box 248, Coupland, Texas
78615
TCEQ Central Records PWS File #2270033
TCEQ Region No. 11 Office - Austin (w/approved materials)

Kathleen Hartnett White, *Chairman*
Larry R. Seward, *Commissioner*
Martin A. Hubert, *Commissioner*
Glenn Shankle, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

February 12, 2007

Mr. R. Brent Jones, P.E.
Randall Jones Engineering, Inc.
1212 E. Braker Lane
Austin, Texas 78753

Re: Kelly Lane Utility Company
Park at Blackhawk VI Section 1
Texas Commission on Environmental Quality Permit No. 13219-001
WWPR Log No 0207/146
CN600553010 RN100878404
Travis County

Dear Mr. Jones:

We have received the project summary transmittal letter dated December 20, 2006.

The rules which regulate the design, installation and testing of domestic wastewater projects are found in 30 TAC, Chapter 317, of the Texas Commission on Environmental Quality (TCEQ) rules titled, Design Criteria for Sewerage Systems.

Section 317.1(a)(3)(D), relating to case-by-case reviews, states in part that upon submittal of a summary transmittal letter, the executive director may approve of the project without reviewing a complete set of plans and specifications.

Under the authority of §317.1(a)(3)(D) a technical review of complete plans and specifications is not required. However, the project proposed in the summary transmittal letter is approved for construction. Please note, that this conditional approval does not relieve the applicant of any responsibilities to obtain all other necessary permits or authorizations, such as wastewater treatment permit or other authorization as required by Chapter 26 of the Texas Water Code. Below are provisions of the Chapter 317 regulations, which must be met as a condition of approval. These items are provided as a reminder. If you have already met these requirements, please disregard this additional notice.

1. You must keep certain materials on file for the life of the project and provide them to TCEQ upon request. These materials include an engineering report, test results, a summary transmittal letter, and the final version of the project plans and specifications. These materials shall be prepared and sealed by a Professional Engineer licensed in the State of Texas and must show substantial compliance with Chapter 317. All plans and specifications must conform to any waste discharge requirements authorized in a permit by the TCEQ. Certain specific items which shall be addressed in the engineering report are discussed in §317.1(c)-(d). Additionally, the engineering report must include all constants, graphs, equations, and calculations needed to show substantial compliance with Chapter 317. The items which shall be included in the summary transmittal letter are addressed in §317.1(a)(3)(D).

Mr. R. Brent Jones, P.E.

Page 2

February 12, 2007

2. Any deviations from Chapter 317 shall be disclosed in the summary transmittal letter and the technical justifications for those deviations shall be provided in the engineering report. Any deviations from Chapter 317 shall be based on the best professional judgement of the licensed professional engineer sealing the materials and the engineer's judgement that the design would not result in a threat to public health or the environment.
3. Any variance from a Chapter 317 requirement disclosed in your summary transmittal letter is approved. If in the future, additional variances from the Chapter 317 requirements are desired for the project, each variance must be requested in writing by the design engineer. Then, the TCEQ will consider granting a written approval to the variance from the rules for the specific project and the specific circumstances.
4. Within 60 days of the completion of construction, an appointed engineer shall notify both the Wastewater Permits Section of the TCEQ and the appropriate Region Office of the date of completion. The engineer shall also provide written certification that all construction, materials, and equipment were substantially in accordance with the approved project, the rules of the TCEQ, and any change orders filed with the TCEQ. All notifications, certifications, and change orders must include the signed and dated seal of a Professional Engineer licensed in the State of Texas.

This approval does not mean that future projects will be approved without a complete plans and specifications review. The TCEQ will provide a notification of intent to review whenever a project is to undergo a complete plans and specifications review. Please be reminded of §317.1(a)(2) of the rules which states, "Approval given by the executive director...shall not relieve the sewerage system owner or the design engineer of any liabilities or responsibilities with respect to the proper design, construction, or authorized operation of the project in accordance with applicable commission rules."

If you have any questions or if we can be of any further assistance, please call me at (512) 239-4552.

Sincerely,



Louis C. Herrin, III, P.E.
Wastewater Permits Section (MC 148)
Water Quality Division
Texas Commission on Environmental Quality

LCH/ms

cc: TCEQ, Region 11 Office

FILE

Kathleen Hartnett White, *Chairman*
R. B. "Ralph" Marquez, *Commissioner*
Larry R. Soward, *Commissioner*
Margaret Hoffman, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

June 1, 2004

Mr. J. Keith Collins, P.E.
Randall Jones Engineering, Inc.
1212 E. Braker Lane
Austin, Texas 78753

Re: Kelly Lane Utility Co.
Pflugerville North Wastewater Interceptor
Texas Commission on Environmental Quality Permit # 13219-001
WWPR Log No. 0504/030
CN600553010 RN100878404
Travis County

Dear Mr. Collins:

We have received the project summary transmittal letter dated May 13, 2004.

The rules which regulate the design, installation and testing of domestic wastewater projects are found in 30 TAC, Chapter 317, of the Texas Commission on Environmental Quality (TCEQ) rules titled, Design Criteria for Sewerage Systems.

Section 317.1(a)(3)(D), relating to case-by-case reviews, states in part that upon submittal of a summary transmittal letter, the executive director may approve of the project without reviewing a complete set of plans and specifications.

Under the authority of §317.1(a)(3)(D) a technical review of complete plans and specifications is not required. However, the project proposed in the summary transmittal letter is approved for construction. Please note, that this conditional approval does not relieve the applicant of any responsibilities to obtain all other necessary permits or authorizations, such as wastewater treatment permit or other authorization as required by Chapter 26 of the Texas Water Code. Below are provisions of the Chapter 317 regulations, which must be met as a condition of approval. These items are provided as a reminder. If you have already met these requirements, please disregard this additional notice.

1. You must keep certain materials on file for the life of the project and provide them to TCEQ upon request. These materials include an engineering report, test results, a summary transmittal letter, and the final version of the project plans and specifications. These materials shall be prepared and sealed by a Professional Engineer licensed in the State of Texas and must show substantial compliance with Chapter 317. All plans and specifications must conform to any waste discharge requirements authorized in a permit by the TCEQ. Certain specific items which shall be addressed in the engineering report are discussed in §317.1(c)-(d). Additionally, the engineering report must include all constants, graphs, equations, and calculations needed to show substantial compliance with Chapter 317. The items which shall be included in the summary transmittal letter are addressed in §317.1(a)(3)(D).

Mr. J. Keith Collins, P.E.
Page 2
June 1, 2004

2. Any deviations from Chapter 317 shall be disclosed in the summary transmittal letter and the technical justifications for those deviations shall be provided in the engineering report. Any deviations from Chapter 317 shall be based on the best professional judgement of the licensed professional engineer sealing the materials and the engineer's judgement that the design would not result in a threat to public health or the environment.
3. Any variance from a Chapter 317 requirement disclosed in your summary transmittal letter is approved. If in the future, additional variances from the Chapter 317 requirements are desired for the project, each variance must be requested in writing by the design engineer. Then, the TCEQ will consider granting a written approval to the variance from the rules for the specific project and the specific circumstances.
4. Within 60 days of the completion of construction, an appointed engineer shall notify both the Wastewater Permits Section of the TCEQ and the appropriate Region Office of the date of completion. The engineer shall also provide written certification that all construction, materials, and equipment were substantially in accordance with the approved project, the rules of the TCEQ, and any change orders filed with the TCEQ. All notifications, certifications, and change orders must include the signed and dated seal of a Professional Engineer licensed in the State of Texas.

This approval does not mean that future projects will be approved without a complete plans and specifications review. The TCEQ will provide a notification of intent to review whenever a project is to undergo a complete plans and specifications review. Please be reminded of §317.1(a)(2) of the rules which states, "Approval given by the executive director...shall not relieve the sewerage system owner or the design engineer of any liabilities or responsibilities with respect to the proper design, construction, or authorized operation of the project in accordance with applicable commission rules."

If you have any questions or if we can be of any further assistance, please call me at (512) 239-4552.

Sincerely,



Louis C. Herrin, III, P.E.
Wastewater Permits Section (MC 148)
Water Quality Division
Texas Commission on Environmental Quality

LCH/bm

cc: TCEQ, Region 11 Office

ATTACHMENT K

LAKESIDE WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 2D

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2014

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT #2D
Annual Financial Report
For the Year Ended September 30, 2014

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTY OF TRAVIS }

I, William McCons, PRESIDENT of the Lakeside Water Control and Improvement District #2D hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 12th day of January, 2015, its annual audit report for the fiscal year ended September 30, 2014, and that copies of the annual report have been filed in the district office, located at 816 Congress #1900, Austin, Texas.

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

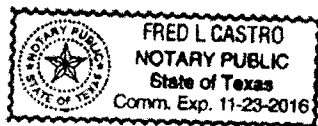
Date: January 12, 2015

By: William P. McCons

Sworn to and subscribed to before me this 12th day of January, 2015.

Notary: Fred L. Castro

(Seal)



My Commission expires on: _____, _____, Notary Public in and for the State of Texas.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT #2D
Annual Financial Report
For the Year Ended September 30, 2014

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FINANCIAL SECTION

WEST, DAVIS & COMPANY

A LIMITED LIABILITY PARTNERSHIP

Independent Auditor's Report

Board of Directors
Lakeside Water Control & Improvement District #2D
Travis County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Lakeside Water Control & Improvement District #2D (the District) as of and for the year ended September 30, 2014, 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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 evaluation the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the District at September 30, 2014, and the 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 the budgetary comparison information identified as Required Supplementary Information in the table of contents 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedules required by the Texas Commission on Environmental Quality are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules required by the Texas Commission on Environmental Quality are the responsibility of management and were derived from and relate 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 our 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 supplemental schedules required by the Texas Commission on Environmental Quality are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

W. Scott Haines, CPA

Austin, Texas
December 31, 2014

LAKESIDE WATER CONTROL & IMPROVEMENT DISTRICT #2D

Management Discussion and Analysis For the Year Ended September 30, 2014

In accordance with Governmental Accounting Standards Board Statement 34 ("GASB 34"), the management of Lakeside Water Control & Improvement District #2D (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the year ended September 30, 2014. Since this information is designed to focus on current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the District's financial statements that follow.

FINANCIAL HIGHLIGHTS

- **General Fund:** The unassigned fund balance at the end of the year was approximately \$636 thousand which was an increase of \$164 thousand from the end of the previous year end. Revenue increased from \$736 thousand in the previous fiscal year to \$889 thousand in the current fiscal year primarily due to increased water and wastewater revenue.
- **Debt Service Fund:** The fund balance restricted for debt service increased from \$223 thousand at the end of the previous fiscal year to \$360 thousand at the end of the current fiscal year. Revenue increased by \$131 thousand over the previous fiscal year. The District made bond principal payments of \$130 thousand and bond interest payments of \$337 thousand during the fiscal year.
- **Capital Projects Fund:** The fund balance remained unchanged at \$101 thousand.
- **Governmental Activities:** On a Government-wide basis for governmental activities, the District had expenses in excess of revenue of approximately \$172 thousand. This excess of expenses over revenue is primarily the result of incurring bond issuance costs on two bond issues sold during the year.

OVERVIEW OF THE DISTRICT

Lakeside Water Control and Improvement District #2D (the District), a political subdivision of the State of Texas, was created by an election to approve the division of Lakeside Water Control and Improvement District #2 held on January 15, 2000. The District was created and organized for the purpose of constructing water, sewer, and drainage facilities and providing water and sewer services to customers within its boundaries and in the surrounding area. The District's first Board of Directors meeting was held on June 28, 2000. The District is also authorized to provide recreational facilities.

LAKESIDE WATER CONTROL & IMPROVEMENT DISTRICT #2D

Management Discussion and Analysis For the Year Ended September 30, 2014

USING THIS ANNUAL REPORT

The District's reporting is comprised of five parts:

- Management's Discussion and Analysis (this section)
- Basic Financial Statements
 - Statement of Net Position and Reconciliation to Governmental Funds Balance Sheet
 - Statement of Activities and Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds
- Notes to the Financial Statements
- Required Supplementary Information
- Texas Supplementary Information (required by the Texas Commission on Environmental Quality)

The Government-wide statements are reported using the flow of economic resources measurement focus and the full accrual basis of accounting. The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

For purposes of GASB 34, the District is considered a special purpose government. This allows the District to present the newly required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "Governmental Funds Total" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Statement of Net Position and Governmental Funds Balance Sheet includes a column (titled "Governmental Funds Total") that represents a balance sheet prepared using the modified accrual basis of accounting. 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 assets 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.

LAKESIDE WATER CONTROL & IMPROVEMENT DISTRICT #2D

Management Discussion and Analysis For the Year Ended September 30, 2014

The **Notes to the 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Summary Statement of Net Position

	Governmental Activities (in thousands)		
	September 2014	September 2013	Increase (Decrease)
Current and Other Assets	\$ 1,124	\$ 822	\$ 302
Capital and Non-Current Assets	5,180	2,860	2,320
Total Assets	6,304	3,682	2,622
Current Liabilities	248	44	204
Long-Term Liabilities	6,535	3,945	2,590
Total Liabilities	6,783	3,989	2,794
Invested in Capital Assets, Net of Related Debt	(1,478)	(1,003)	(475)
Restricted	362	223	139
Unassigned	637	473	164
Total Net Position	\$ (479)	\$ (307)	\$ (172)

The District's total assets were approximately \$6.3 million as of September 30, 2014. Of this amount, approximately \$1.0 million is accounted for by cash and short term investments. The District had outstanding liabilities of approximately \$6.8 million. The District's unassigned net assets, which can be used to finance day to day operations, totaled \$637 thousand.

LAKESIDE WATER CONTROL & IMPROVEMENT DISTRICT #2D

Management Discussion and Analysis For the Year Ended September 30, 2014

Summary Statement of Activities

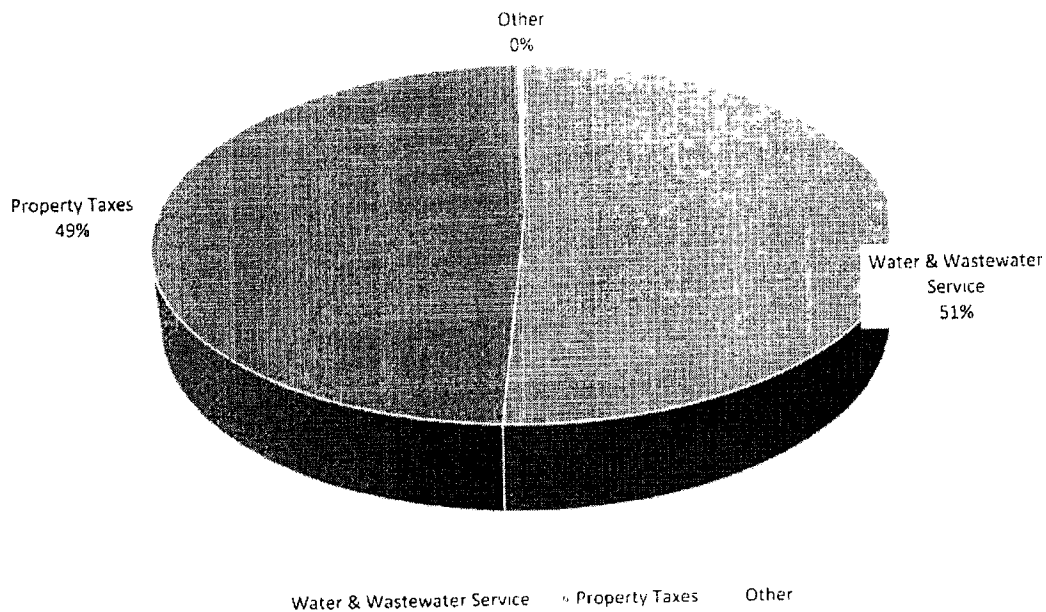
	Governmental Activities (in thousands)		Increase (Decrease)
	2014	2013	
Water & Wastewater Service	\$ 700	\$ 576	\$ 124
Property Taxes	671	508	163
Other	4	3	1
Total Revenues	1,375	1,087	288
Water & Wastewater	513	445	68
Maintenance	84	55	29
Administrative	24	23	1
Consultants	103	75	28
Debt Service	347	244	103
Depreciation	111	63	48
Total Expenses	1,182	905	277
Bond Costs	(365)	-	(7)
Change In Net Position	(172)	182	(354)
Change in Accounting Principle	-	(382)	382
Beginning Net Position	(307)	(107)	(200)
Ending Net Position	\$ (479)	\$ (307)	\$ (172)

Revenues were approximately \$1.4 million for the year ended September 30, 2014. Expenses were approximately \$1.2 million for the year ended September 30, 2014. Net position decreased \$172 thousand from current year activities due to bond issuance costs. The following charts summarize the sources of revenue and areas of expenses.

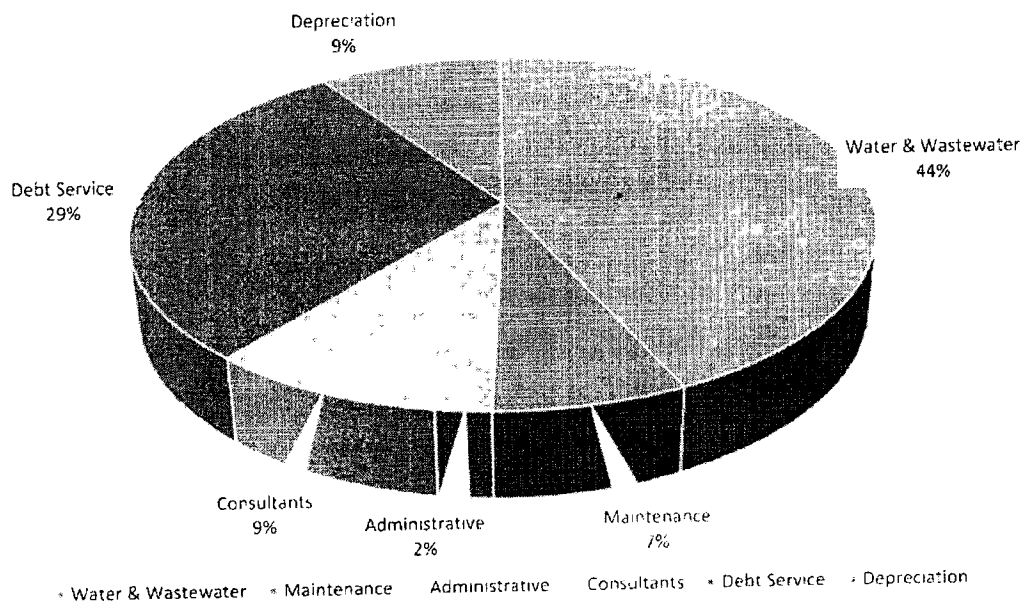
LAKESIDE WATER CONTROL & IMPROVEMENT DISTRICT #2D

Management Discussion and Analysis For the Year Ended September 30, 2014

Revenues-Fiscal Year 2014



Expenses - Fiscal Year 2014



LAKESIDE WATER CONTROL & IMPROVEMENT DISTRICT #2D

Management Discussion and Analysis For the Year Ended September 30, 2014

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND LEVEL STATEMENTS

In comparison to the Government-wide statements, the Fund-level statements focus on the key funds of the District. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The District reports the following types of Governmental funds: General Fund, Debt Service Fund and Capital Projects Fund. The focus of the District's Governmental funds is to provide information on near-term inflows, outflows, and available resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year.

Summary Balance Sheet

	Governmental Activities (in thousands)		Increase (Decrease)
	September 2014	September 2013	
Cash and Investments	\$ 1,066	\$ 714	\$ 352
Accounts Receivable	58	99	(41)
Prepaid Costs	42	97	(55)
Total Assets	1,166	910	256
Accounts Payable	65	113	(48)
Unrealized Revenue	4	1	3
Total Liabilities	69	114	(45)
Nonspendable	-	-	-
Restricted For Debt Service	360	223	137
Restricted For Capital Projects	101	101	-
Unassigned	636	472	164
Total Fund Balances	1,097	796	301
Total Liabilities and Fund Balances	\$ 1,166	\$ 910	\$ 256

The General Operating Fund, which pays for daily operating expenses, has a balance of \$636 thousand at the end of the current fiscal year. This is an increase of \$166 thousand over the prior fiscal year.

LAKESIDE WATER CONTROL & IMPROVEMENT DISTRICT #2D

Management Discussion and Analysis For the Year Ended September 30, 2014

The Debt Service Fund increased by \$137 thousand during the current fiscal year. This fund remitted bond principal of \$130 thousand and bond interest of \$337 thousand during the year.

BUDGETARY HIGHLIGHTS

The Board of Directors adopted the fiscal year 2014 annual budget for the General Fund on September 9, 2013. The budget included revenues of \$715 thousand and expenditures of \$680 thousand. Actual revenue amounted to \$889 thousand and expenditures of \$725 thousand, including capital expenditures. More detailed information about the District's budgetary comparison is presented in the Required Supplementary Information section.

CAPITAL ASSETS

The District has invested \$5.5 million in infrastructure. A summary of these assets is listed below:

Summary of Capital Assets

	Governmental Activities (in thousands)		Increase (Decrease)
	September 2014	September 2013	
Water, Wastewater and Drainage System	\$ 5,566	\$ 3,135	\$ 2,431
Accumulated Depreciation	(386)	(275)	(111)
Total Capital Assets (Net)	\$ 5,180	\$ 2,860	\$ 2,320

LONG TERM DEBT

The District issued \$1.645 million of Unlimited Tax Bonds, Series 2013 and \$1.240 million of Unlimited Tax Bonds, Series 2013A during the year. Bonded indebtedness of the District at year end was \$6.730 million. More detailed information about the District's long-term debt is presented in the Notes to the Basic Financial Statements.

LAKESIDE WATER CONTROL & IMPROVEMENT DISTRICT #2D

Management Discussion and Analysis For the Year Ended September 30, 2014

ECONOMIC FACTORS

The taxable assessed value of property within the District as of January 1, 2014 has been fixed by the Travis Central Appraisal District at \$93 million. The tax rates adopted by the District on September 8, 2014 for the coming fiscal year are \$0.26 for maintenance and operations and \$0.71 for debt service. The District expects this to produce \$900 thousand in total property tax revenue for next year. The adopted budget for fiscal year 2014 projects a small increase in the operating fund balance.

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 Lloyd Gosselink Rochelle & Townsend, PC, 816 Congress Avenue, Suite 1900, Austin, Texas 78701.

BASIC FINANCIAL STATEMENTS

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT #2D

**STATEMENT OF NET POSITION
AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2014**

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>	<u>ADJUST- MENTS</u>	<u>STATEMENT OF NET POSITION</u>
<u>ASSETS</u>						
Cash	\$ 604,971	\$ 359,933	\$ 100,657	\$1,065,561	\$ -	\$ 1,065,561
Temporary Investments	-	-	-	-	-	-
Taxes Receivable	1,275	2,437	-	3,712	-	3,712
Water Revenue Receivable	6,318	-	-	6,318	-	6,318
Prepaid Insurance	6,606	-	-	6,606	-	6,606
Prepaid Bond Costs	-	-	41,558	41,558	-	41,558
Due From Other Funds	41,600	-	-	41,600	(41,600)	-
Water/WW/Drainage System (Net)	-	-	-	-	5,180,193	5,180,193
TOTAL ASSETS	<u>\$ 660,770</u>	<u>\$ 362,370</u>	<u>\$ 142,215</u>	<u>\$1,165,355</u>	<u>\$ 5,138,593</u>	<u>\$ 6,303,948</u>
<u>LIABILITIES AND FUND EQUITY</u>						
Liabilities:						
Accounts Payable	\$ 23,619	\$ -	\$ -	\$ 23,619	\$ 29,479	\$ 53,098
Deferred Inflow of Resources-Taxes	1,275	2,437	-	3,712	(3,712)	-
Due To Other Funds	-	42	41,558	41,600	(41,600)	-
Bonds Payable in less than one year	-	-	-	-	195,000	195,000
Bonds Payable in more than one year	-	-	-	-	6,535,000	6,535,000
Total Liabilities	<u>24,894</u>	<u>2,479</u>	<u>41,558</u>	<u>68,931</u>	<u>6,714,167</u>	<u>6,783,098</u>
Fund Equity:						
Restricted for Debt Service	-	359,891	-	359,891	(359,891)	-
Investment in Capital Assets	-	-	100,657	100,657	(100,657)	-
Unassigned	635,876	-	-	635,876	(635,876)	-
Total Fund Equity	<u>635,876</u>	<u>359,891</u>	<u>100,657</u>	<u>1,096,424</u>	<u>(1,096,424)</u>	<u>-</u>
Total Liabilities & Fund Equity	<u>\$ 660,770</u>	<u>\$ 362,370</u>	<u>\$ 142,215</u>	<u>\$1,165,355</u>		
Net Position:						
Invested in Capital Assets (Net of Related Debt)					(1,478,629)	(1,478,629)
Restricted for Debt Service					362,328	362,328
Unassigned					637,151	637,151
Total Net Position					<u>\$ (479,150)</u>	<u>\$ (479,150)</u>

See notes to financial statements.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT #2D

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

				STATEMENT		
	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTAL	ADJUST- MENTS	OF ACTIVITIES
REVENUES						
Water Service	\$ 290,468	\$ -	\$ -	\$ 290,468	\$ -	\$ 290,468
Wastewater Service	272,739	-	-	272,739	-	272,739
Tap Connection Fees	136,800	-	-	136,800	-	136,800
Property Taxes	186,924	481,342	-	668,266	3,006	671,272
Interest	2,145	2,172	-	4,317	-	4,317
TOTAL REVENUES	889,076	483,514	-	1,372,590	3,006	1,375,596
EXPENDITURES						
Current:						
Water Purchased	144,113	-	-	144,113	-	144,113
City Water Fees	96,556	-	-	96,556	-	96,556
Wastewater Service Purchased	272,739	-	-	272,739	-	272,739
Maintenance	83,996	-	-	83,996	-	83,996
Accounting Fees	10,778	-	-	10,778	-	10,778
Audit Fees	10,500	-	-	10,500	-	10,500
Engineering Fees	11,977	-	-	11,977	-	11,977
Legal Fees	69,372	-	-	69,372	-	69,372
Tax Assessor/Collector	2,694	-	-	2,694	-	2,694
Director Salaries and Payroll Taxes	8,235	-	-	8,235	-	8,235
Insurance	6,915	-	-	6,915	-	6,915
License and Fees	4,081	-	-	4,081	-	4,081
Printing and Office Supplies	2,341	-	-	2,341	-	2,341
Depreciation	-	-	-	-	111,330	111,330
Debt Service:						
Fiscal Agent's Fees	1,025	400	-	1,425	-	1,425
Interest	-	336,556	-	336,556	9,536	346,092
Principal	-	130,000	-	130,000	(130,000)	-
Capital Expenditures	-	-	2,430,753	2,430,753	(2,430,753)	-
TOTAL EXPENDITURES	725,322	466,956	2,430,753	3,623,031	(2,439,887)	1,183,144
OTHER FINANCING SOURCES						
Bond Proceeds	-	120,093	2,794,907	2,915,000	(2,915,000)	-
Bond Issuance Costs	-	-	(364,751)	(364,751)	-	(364,751)
TOTAL OTHER SOURCES	-	120,093	2,430,156	2,550,249	(2,915,000)	(364,751)
Excess (Deficit) of Revenues						
Over Expenditures	163,754	136,651	(597)	299,808	(299,808)	-
Change in Net Position	-	-	-	-	(172,299)	(172,299)
Fund Balance/Net Position-Beginning	472,122	223,240	101,254	796,616	(1,103,467)	(306,851)
Fund Balance/Net Position-Ending	<u>\$ 635,876</u>	<u>\$ 359,891</u>	<u>\$ 100,657</u>	<u>\$ 1,096,424</u>	<u>\$ (1,575,574)</u>	<u>\$ (479,150)</u>

See notes to financial statements.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT #2D
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

1. Summary of Significant Accounting Policies

The combined financial statements of Lakeside Water Control and Improvement District #2D (the District) have been prepared in conformity with accounting principles applicable to governmental units that are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Lakeside Water Control and Improvement District #2D (the District), a political subdivision of the State of Texas, was created by an election to approve the division of Lakeside Water Control and Improvement District #2 held on January 15, 2000. The District was created and organized for the purpose of constructing water, sewer, and drainage facilities and providing water and sewer services to customers within its boundaries and in the surrounding area. The District's first Board of Directors meeting was held on June 28, 2000. The District is also authorized to provide recreational facilities.

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) that has been elected by District residents. The funds and account groups presented in this report are within the oversight responsibility of the Board, in accordance with Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting. There are no component units of the District, nor is the District a component unit of any other entity.

A. Basis of Presentation, Basis of Accounting

In accordance with GASB Statement No. 34, the District has elected to combine their Government-wide and Governmental Fund Financial Statements into one set of financial statements with a reconciliation of the individual line items in a separate column on the financial statements.

Government-wide Financial Statements:

The **Statement of Net Position** and the **Statement of Activities** include the financial activities of the overall government. Governmental activities are generally financed through property taxes.

The **Statement of Activities** presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT #2D
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

1. Summary of Significant Accounting Policies (continued)

Fund Financial Statements:

The governmental fund financial statement columns are labeled **Government Funds Balance Sheet** and **Governmental Funds Revenue, Expenditures and Changes in Fund Balance**. In the fund financial statements, the accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of financial resources for, and the payment of, general long term debt principal and interest.

Capital Projects Fund: The Capital Projects Fund is used to account for the acquisition or construction of major capital facilities. Principal sources of revenue are municipal long-term debt proceeds and interest income.

B. Measurement Focus, Basis of Accounting

The Government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources management focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year end to be available in the current period. Revenues from local sources consist primarily of property taxes. Miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long term debt, which is recognized as an expenditure to the extent that it has matured. General capital asset acquisitions are reported as expenditures in major governmental funds. Proceeds of general long term debt are reported as other financing sources.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT #2D
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

1. Summary of Significant Accounting Policies (continued)

C. Fund Balances

The District has adopted 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.

Assigned – For the General Fund, amounts that are appropriated by the Board or Board designee, if any, 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.

Unassigned – Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

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 has not delegated the authority to assign fund balance.

D. Budget

The Board adopted an annual budget for the General Fund on the basis consistent with generally accepted accounting principles. The District does not prepare budgets for other funds. The District's Board of Directors utilizes the budget as a management tool for planning and cost control purposes. All annual appropriations lapse at fiscal year end.

E. Pensions

The District has not established a pension plan.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT #2D
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

1. Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents

These include cash on deposit as well as investments with maturities of three months or less. The investments, consisting of common trust funds, money market funds, and obligations in the State Treasurer's Investment Pool are recorded at cost, which approximates fair market value.

G. Capital Assets

Capital assets, which include Administrative Facilities and Equipment, Common and Recreation Areas, Water Production and Distribution System, Wastewater Collection System, Water Quality Ponds and Organizational Costs are reported in the Government-wide column in the Statement of Net Assets. Public domain ("infrastructure") capital assets including water, wastewater and drainage systems, are capitalized as acquired. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at estimated fair market value at the time received.

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

<u>Asset</u>	<u>Years</u>
Water/Wastewater/Drainage System	50

H. Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivable 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.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT #2D
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

1. Summary of Significant Accounting Policies (continued)

I. Long-Term Debt

Unlimited tax bonds, which have been issued to acquire capital assets, are to be repaid from tax revenues of the District.

In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs are expensed as incurred.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

J. Deferred Outflows and Inflows of Resources

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, 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. GASB Statement No. 63 became effective for fiscal years beginning after December 15, 2011 and has been implemented in the financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, 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. GASB Statement No. 65 is effective for fiscal years beginning after December 15, 2012 but has been early implemented in these financial statements.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT #2D
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

2. Cash and Investments

The investment policies of the District are governed by State statute and an adopted District Investment Policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District's Investment Policy include: depositories must be FDIC-insured Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits; securities collateralizing time deposits are held by independent third party trustees.

Cash – At year end, deposits were held by the District's depository bank in accounts that were secured at the balance sheet date by Federal Deposit Insurance Corporation (FDIC) coverage or by pledged collateral held by the District's agent bank in the District's name.

Investments - The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirement of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restriction, (1) obligations of the US Treasury, certain US Agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The District's had no temporary investments at year end.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
N/A	N/A	\$ 0

Analysis of Specific Cash and Investment Risks – GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and, if so, the reporting of certain related disclosures.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT #2D
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

2. Cash and Investments (continued)

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At year end, the District's investments, other than those which are obligations of or guaranteed by the US Government, are rated as to credit quality as follows:

N/A	<u>Rating</u> N/A
-----	----------------------

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterpart or the counterpart's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

Concentration of Credit Risk – This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

Foreign Currency Risk – This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy – The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT #2D

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

2. Cash and Investments (continued)

Public Funds Investment Pools – Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio with one half of one percent of the value of its shares.

The District’s investments in Pools are reported at an amount determined by the fair value per share of the Pool’s underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like Pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

3. Property Taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll on January 1, 2013, upon which the levy for the 2013-14 fiscal year was based, was \$68,980,638. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2014, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.27 and \$0.70 per \$100 valuation, respectively, for a total of \$0.97 per \$100 valuation.

Current tax collections for the year ended September 30, 2013 were 99.51% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of September 30, 2014, property taxes receivable, totaled \$1,275 and \$2,437 for the General and Debt Service Funds, respectively.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT #2D
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

4. Capital Assets

Using bond proceeds, the District has acquired \$5,566,505 in Water, Wasterwater and Drainage Facilities serving the District's residents. All of the District's facilities are being depreciated over their estimated useful life of 50 years. Depreciation in the amount of \$111,330 has been charged to system operations for the year and accumulated depreciation amounted to \$386,312 leaving a net book value of \$5,180,193.

A summary of changes in capital assets follows:

	Balance			Balance
<u>Capital Assets:</u>	<u>10/1/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/2014</u>
Water WW & Drainage Systems	3,135,752	2,430,753	-	5,566,505
Total	3,135,752	2,430,753	-	5,566,505
<u>Accumulated Depreciation:</u>				
Water WW & Drainage Systems	(274,982)	(111,330)	-	(386,312)
Total	(274,982)	(111,330)	-	(386,312)
Total Capital Assets (Net)	<u>2,860,770</u>	<u>2,319,423</u>	<u>-</u>	<u>5,180,193</u>

5. Bonds

At elections held within the District on November 8, 2005, May 13, 2006, and November 7, 2006, voters authorized a total of \$49,630,000 combination unlimited tax and revenue bonds for the purpose of purchasing, constructing, acquiring, owning, improving, extending, maintaining, repairing, or operating a waterworks system, a sanitary sewer system, a drainage and storm water system and recreational facilities for the District.

On April 2, 2009, the District issued \$2,765,000 of these bonds dated April 1, 2009. The bonds mature serially on September 1, in each year 2010 through 2032, in principal amounts set forth on the following page. Bonds maturing on or after September 1, 2019, are subject to redemption, in whole or in part, on September 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. Bonds maturing in the years 2025 and 2032 are also subject to mandatory sinking fund redemption.

On November 30, 2010, the District issued \$1,495,000 of these bonds dated December 1, 2010. The bonds mature serially on September 1, in each year 2011 through 2033, in principal amounts set forth on the following page. Bonds maturing on or after September 1, 2019, are subject to redemption, in whole or in part, on September 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. Bonds maturing in 2033 are also subject to mandatory sinking fund redemption.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT #2D
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

5. Bonds (continued)

On October 15, 2013, the District issued \$1,675,000 of these bonds dated October 1, 2013. The bonds mature serially on September 1, in each year 2014 through 2034, in principal amounts set forth below. Bonds maturing on or after September 1, 2021, are subject to redemption, in whole or in part, on September 1, 2020, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. Bonds maturing in 2026, 2028, 2030 and 2034 are also subject to mandatory sinking fund redemption.

On December 10, 2013, the District issued \$1,240,000 of these bonds dated December 1, 2013. The bonds mature serially on September 1, in each year 2015 through 2035, in principal amounts set forth on the following page. Bonds maturing on or after September 1, 2022, are subject to redemption, in whole or in part, on September 1, 2021, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. Bonds maturing in 2031 and 2035 are also subject to mandatory sinking fund redemption.

These bonds are described as follows:

<u>Issue</u>	<u>Original Issue Amount</u>	<u>Installments (In Thousands)</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Outstanding</u>
Series 2009	\$2,765,000	\$50 to 240	2032	5.000–7.00 %	\$2,550,000
Series 2010	\$1,495,000	\$30 to 115	2033	3.900–5.875%	\$1,395,000
Series 2013	\$1,675,000	\$30 to 125	2034	2.500–5.000%	\$1,645,000
Series 2013A	\$1,240,000	\$35 to 95	2035	3.000–4.750%	\$1,240,000

Redemption

Series 2009 Bonds maturing on or after September 1, 2019, are subject to redemption, in whole or in part, on September 1, 2018, or on any date thereafter at a price equal to the principal amount thereof plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, term bonds maturing on in the years 2025 and 2032 are subject to mandatory sinking fund redemption.

Series 2010 Bonds maturing on or after September 1, 2019, are subject to redemption, in whole or in part, on September 1, 2018, or on any date thereafter at a price equal to the principal amount thereof plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, term bonds maturing on in the year 2033 are subject to mandatory sinking fund redemption.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT #2D
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

5. Bonds (continued)

Series 2013 Bonds maturing on or after September 1, 2021, are subject to redemption, in whole or in part, on September 1, 2020, or on any date thereafter at a price equal to the principal amount thereof plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, term bonds maturing on in the year 2026, 2028, 2030 and 2034 are subject to mandatory sinking fund redemption.

Series 2013A Bonds maturing on or after September 1, 2022, are subject to redemption, in whole or in part, on September 1, 2021, or on any date thereafter at a price equal to the principal amount thereof plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, term bonds maturing on in the year 2031 and 2035 are subject to mandatory sinking fund redemption.

Debt Service Requirements

Debt service requirements on long-term debt as of the end of the year are as follows:

Ending September 30,	Principal	Interest	Totals
2015	\$ 195,000	\$ 353,212	\$ 548,212
2016	200,000	345,537	545,537
2017	215,000	337,648	552,648
2018	225,000	329,020	554,020
2019	245,000	319,695	564,695
2020-2024	1,480,000	1,415,279	2,895,279
2025-2029	2,000,000	976,336	2,976,336
2030-2034	2,075,000	330,319	2,405,319
2035-2039	95,000	4,512	99,512
Totals	\$ 6,730,000	\$ 4,411,558	\$ 11,141,558

6. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the year, the District obtained liability coverage.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT #2D
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

7. Contingencies

The District has an obligation to reimburse developers of property in the District for costs expended on behalf of the District for the construction of water, sewer and drainage systems designed to serve the District. Since the construction of these facilities is not yet complete, the ultimate amount of the future reimbursements cannot be determined at this time.

8. Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

9. Subsequent Events

The District has evaluated subsequent events as of December 31, 2014, the date the financial statements were available to be issued.

10. Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for governmental activities in the statement of net position are different because:

Governmental Funds Total Fund Balances	\$ 1,096,424
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	5,180,193
Long-term liabilities (bonds payable) are not due and payable in the current period and, therefore, are not reported in the funds	(6,730,000)
Interest is accrued on outstanding debt in the government-wide statements, whereas in the governmental funds, an interest expenditure is reported when made and not accrued in the funds	(29,479)
Deferred tax revenue is not available to pay for current period expenditures and, therefore, is deferred in the funds	3,712
Total Net Position	<u>\$ (479,150)</u>

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT #2D
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

10. Reconciliation of Government-wide and Fund Financial Statements (continued)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental Funds Excess of Revenues over Expenditures	\$ 299,808
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds	
Change in Deferred Tax Revenue	3,006
Governmental funds report capital outlays as expenditures however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense	
Capital Outlay	2,430,753
Depreciation Expense	(111,330)
Governmental funds report principal payments as expenditures however, in the Statement of Activities, these payments are not reported as operating expenses	
Bond Principal	130,000
Bond Proceeds	(2,915,000)
Governmental funds do not report the change in accrued interest as an expenditure, however, in the Statement of Activities, this change in the amount accrued is reported as an expense	
Accrued Interest	(9,536)
Change in Net Position	<u>\$ (172,299)</u>

REQUIRED SUPPLEMENTARY INFORMATION

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT #2D

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GENERAL FUND
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>				
Water Service	\$ 277,000	\$ 277,000	\$ 290,468	\$ 13,468
Wastewater Service	223,000	275,000	272,739	(2,261)
Tap Connection Fees	32,000	108,800	136,800	28,000
Property Taxes	182,523	182,523	186,924	4,401
Interest	500	500	2,145	1,645
TOTAL REVENUES	<u>715,023</u>	<u>843,823</u>	<u>889,076</u>	<u>45,253</u>
<u>EXPENDITURES</u>				
Current:				
Water Purchased	152,000	152,000	144,113	7,887
City Water Fees	76,000	76,000	96,556	(20,556)
Wastewater Service Purchased	223,000	275,000	272,739	2,261
Maintenance	93,000	95,000	83,996	11,004
Accounting Fees	12,000	12,000	10,778	1,222
Audit Fees	10,500	10,500	10,500	-
Engineering Fees	20,000	20,000	11,977	8,023
Legal Fees	57,500	77,500	69,372	8,128
Tax Assessor/Collector	4,000	4,000	2,694	1,306
Director Salaries and Payroll Taxes	10,000	10,000	8,235	1,765
Insurance	7,000	7,000	6,915	85
License and Fees	11,000	24,280	4,081	20,199
Printing and Office Supplies	3,500	3,500	2,341	1,159
Debt Service:				
Fiscal Agent's Fees	-	-	1,025	(1,025)
Interest	-	-	-	-
Principal	-	-	-	-
Capital Expenditures	-	-	-	-
TOTAL EXPENDITURES	<u>679,500</u>	<u>766,780</u>	<u>725,322</u>	<u>41,458</u>
Excess (Deficit) of				
Revenues over Expenditures	35,523	77,043	163,754	(86,711)
Fund Balance - Beginning of Year	472,122	472,122	472,122	-
Fund Balance - End of Year	<u>\$ 507,645</u>	<u>\$ 549,165</u>	<u>\$ 635,876</u>	<u>\$ 86,711</u>

See notes to general purpose financial statements.

OTHER SUPPLEMENTARY INFORMATION

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT #2D
INDEX OF SUPPLEMENTAL SCHEDULES REQUIRED
BY THE TEXAS WATER COMMISSION
FOR THE YEAR ENDED SEPTEMBER 30, 2014

(Schedules included are checked; explanatory notes are provided for omitted schedules).

- [√] Schedule of Services and Rates
- [√] Schedule of General Fund Expenditures
- [√] Temporary Investments
- [√] Analysis of Taxes Levied and Receivable
- [√] General Long Term Debt Service Requirements by Years
- [√] Analysis of Changes in General Long Term Debt
- [√] Comparative Schedule of Revenues and Expenditures - General Fund
- [√] Comparative Schedule of Revenues and Expenditures – Debt Service Fund
- [√] Board Members, Key Personnel, and Consultants

**LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT #2D
SERVICES AND RATES
SEPTEMBER 30, 2014**

1. Services Provided by the District:

Retail Water	Drainage
Retail Wastewater	Parks

2. Retail Rates Based on 5/8" Meter

			Flat	Rate per first	Rate per add'l
	Minimum	Minimum	Rate	1000 Gallons	1000 Gallons
	Charge	Usage	Y/N	Over Minimum	Over Minimum
Water:	\$ 16.00	1,000	N	\$ 3.90	\$ 3.90
Wastewater:	\$ 40.00	-0-	Y	\$ -0-	\$ -0-
Surcharge:	-0-				

Total water and wastewater charges per 10,000 gallons usage: \$ 95.60

3. Retail Service Provided: Number of retail water and/or wastewater connections.

			Inactive
	Active	Active	Connections
	Connections	EFSC	(EFSC)
Single Family & Total	661	661	0

4. Total Water Consumption During the Fiscal Year:

Gallons pumped into system: 44,342,500
Gallons billed to customers: 44,342,500

5. Standby Fees: The District does not assess standby fees.

6. Anticipated sources of funds to be used for debt service payments: Ad Valorem taxes

7. Location of District:

The District is located entirely within Travis County.
The District is not located within any city.
The District is located within the City of Pflugerville ETJ.
The general membership of the Board is not appointed by an office outside the District.