

OFFICIAL STATEMENT DATED MARCH 23, 2018

Insured Rating: Standard & Poor's "AA"/Stable

Underlying Rating: Moody's "Baa3"/Stable

See "BOND INSURANCE" & "MUNICIPAL BOND RATINGS"

NEW ISSUE BOOK-ENTRY-ONLY

In the opinion of Orrick, Herrington & Sutcliffe, LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition.

THE DISTRICT HAS DESIGNATED THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

\$5,250,000

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

(A Political Subdivision of the State of Texas Located in Hays County, Texas)

UNLIMITED TAX BONDS, SERIES 2018

Dated: April 1, 2018

Due: September 1, as shown below

Interest on the herein described bonds (the "Bonds") will accrue from April 1, 2018 and is payable September 1, 2018 and each March 1 and September 1 (each an "Interest Payment Date"), thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial Paying Agent/Registrar for the Bonds is ZB National Association, dba Amegy Bank, Houston, Texas (the "Paying Agent/Registrar"). The Bonds are obligations solely of the Hays County Municipal Utility District No. 4 (the "District") and are not obligations of the City of Dripping Springs, Texas; Hays County, Texas; the State of Texas; or any entity other than the District.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.



**MATURITIES
(Due September 1)**

CUSIP Prefix: 42103P

<u>Principal Amount</u>	<u>Interest Rate (a)</u>	<u>Due</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (c)</u>	<u>Principal Amount</u>	<u>Interest Rate (a)</u>	<u>Due</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (c)</u>	
\$160,000	4.000%	2019	2.000%	BU5	\$260,000	3.000%	2029*	3.250%	CE0	
165,000	4.000%	2020	2.100%	BV3	270,000	3.125%	2030*	3.300%	CF7	
175,000	4.000%	2021	2.250%	BW1	285,000	3.125%	2031*	3.350%	CG5	
185,000	4.000%	2022	2.450%	BX9	300,000	3.250%	2032*	3.400%	CH3	
195,000	5.000%	2023	2.600%	BY7	315,000	3.250%	2033*	3.450%	CJ9	
200,000	4.000%	2024	2.700%	BZ4	330,000	3.375%	2034*	3.500%	CK6	
215,000	5.000%	2025	2.850%	CA8	345,000	3.375%	2035*	3.550%	CL4	
225,000	3.000%	2026*	3.000%	CB6	365,000	3.500%	2036*	3.600%	CM2	
235,000	3.000%	2027*	3.100%	CC4	380,000					
245,000	3.000%	2028*	3.200%	CD2	400,000					
\$780,000		Term Bonds, Due September 1, 2038*(b)(c), 3.500% Interest Rate, 3.800% Initial Yield (b)							42103PCP5	

* Optional Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing September 1, 2026 through 2038, both inclusive, in whole or from time to time in part, on September 1, 2025, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Bonds maturing September 1, 2026 through September 1, 2038 may be subject to mandatory sinking fund redemption. See "THE BONDS - Redemption Provisions".

- (a) After requesting competitive sealed bids for purchase of the Bonds, the District has accepted the lowest bid to purchase the Bonds, bearing interest as shown, at a price of 97.415677% of par plus accrued interest to the date of delivery, resulting in a net effective interest rate to the District of 3.621512%.
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first call date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Initial Purchaser (as herein defined). The yields may be changed at any time at the discretion of the Initial Purchaser. Accrued interest from April 1, 2018 to the date of delivery of the Bonds to the Initial Purchaser is to be added to the price.
- (c) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchasers shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation to rate or amount, levied against taxable property within the District. See "THE BONDS - Source of Payment." THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. Bond purchasers are encouraged to read this entire Official Statement prior to making an investment decision, including particularly the section titled "INVESTMENT CONSIDERATIONS."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things to the approval of the Initial Bond by the Attorney General of Texas and the legal opinion of Orrick, Herrington & Sutcliffe, LLP, Austin, Texas, Bond Counsel. In addition, certain legal matters will be passed upon for the District by Johnson Petrov LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about April 10, 2018, in Austin, Texas.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "APPENDIX B - Specimen Municipal Bond Insurance Policy".

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT.....	3	WTCPUA	31
SALE AND DISTRIBUTION OF THE BONDS.....	3	100-year Flood Plain	32
Award of the Bonds.....	3	Future Debt	32
Prices and Marketability.....	3	Water and Wastewater Operations.....	32
Securities Laws	4	Wastewater Operating Statement.....	34
BOND INSURANCE	4	DEBT SERVICE REQUIREMENTS.....	35
MUNICIPAL BOND RATINGS	6	FINANCIAL STATEMENT.....	36
OFFICIAL STATEMENT SUMMARY	7	Assessed Value.....	36
THE DISTRICT.....	7	Unlimited Tax Bonds Authorized but Unissued.....	36
THE BONDS.....	8	Outstanding Bonds	36
INVESTMENT CONSIDERATIONS.....	9	Cash and Investment Balances.....	37
SELECTED FINANCIAL INFORMATION	10	Investment Authority and Investment Practice7	
INTRODUCTION	11	of the District	37
THE BONDS.....	11	Current Investments	37
General Description	11	Estimated Overlapping Debt Statement	38
Authority for Issuance.....	12	Overlapping Taxes	38
Redemption Provisions.....	12	TAX DATA.....	39
Termination of Book-Entry-Only System	13	Classification of Assessed Valuation.....	39
Source of Payment	14	Tax Collections	39
Perfecting Security Interest	14	District Tax Rates	39
Payment Record	14	Tax Rate Limitation	39
Funds	14	Maintenance Tax.....	39
Registration and Transfer.....	15	Top Ten Taxpayers	40
Replacement of Paying Agent/Registrar	15	Tax Adequacy for Debt Service	40
Issuance of Additional Debt.....	15	TAXING PROCEDURES	41
Consolidation.....	15	Authority to Levy Taxes	41
Remedies in Event of Default	15	Property Tax Code and County-Wide Appraisal District.....	41
Legal Investment and Eligibility to Secure		Property Subject to Taxation by the District.....	41
Public Funds in Texas.....	16	Valuation of Property for Taxation	42
Defeasance	16	District and Taxpayer Remedies	43
Specific Tax Covenants	17	Levy and Collection of Taxes	43
Additional Covenants.....	17	Districts' Rights in the Event of Tax Delinquencies	44
Amendments to the Bond Order	17	LEGAL MATTERS.....	44
Alteration of Boundaries.....	17	Legal Proceedings	44
Approval of Bonds.....	18	No Material Adverse Change.....	45
BOOK-ENTRY-ONLY SYSTEM.....	18	No-Litigation Certificate.....	45
EXTRATERRITORIAL JURISDICTION AND ANNEXATION.....	20	TAX MATTERS.....	46
USE AND DISTRIBUTION OF BOND PROCEEDS.....	21	QUALIFIED TAX-EXEMPT OBLIGATIONS	47
INVESTMENT CONSIDERATIONS	21	CONTINUING DISCLOSURE OF INFORMATION	47
General.....	21	Annual Reports	48
Factors Affecting Taxable Values and Tax Payments.....	22	Event Notices.....	48
Tax Collections and Foreclosure Remedies	23	Availability of Information from MSRB	48
Owners' Remedies.....	23	Compliance with Prior Undertakings.....	48
Bankruptcy Limitation to Owners' Rights.....	23	FINANCIAL ADVISOR.....	49
The Effect of Financial Institutions Act of 1989		OFFICIAL STATEMENT	49
on Tax Collections of the District	24	Preparation.....	49
Marketability.....	24	Experts.....	49
Continuing Compliance with Certain Covenants.....	24	Updating the Official Statement During	
Future Debt	25	Underwriting Period.....	50
Approval of Bonds.....	25	Certification as to Official Statement.....	50
Bond Insurance Risk Factors	25	PHOTOGRAPHS	
DISTRICT MAP.....	26	APPENDIX A - District Audited Financial Statements	
THE DISTRICT.....	27	APPENDIX B - Specimen Municipal Bond Insurance Policy	
General.....	27		
Location	27		
Management of the District.....	27		
Historical and Current Status of Development.....	28		
Future Development.....	29		
Annexation of the District.....	29		
DEVELOPERS/LANDOWNERS	30		
Role of a Developer/Landowner.....	30		
Description of the Developers/Landowners	30		
Agricultural Waiver	30		
Utility Construction Agreements	30		
THE SYSTEM.....	31		
General	31		
Water System.....	31		
Wastewater System.....	31		
Drainage System	31		

(this page intentionally left blank)

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting sealed competitive bids for the Bonds, the District has accepted the bid of Robert W. Baird & Co., Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on "cover page" of this Official Statement at a price of 97.415677% of par plus accrued interest to date of delivery. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate, acceptable to Bond Counsel, executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the sole responsibility of the Initial Purchaser.

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

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

Securities Laws

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

BOND INSURANCE

BOND INSURANCE POLICY

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

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

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

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2017 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$515 million, \$87.7 million and \$427.3 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

MUNICIPAL BOND RATINGS

It is expected that Standard & Poor's will assign a "AA" rating (stable outlook) with the understanding that upon the delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of principal and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). The premium for such insurance and any associated rating fees will be paid by the initial purchaser. On February 26, 2018 Moody's Investors Service assigned a rating of Baa3 on the Bonds.

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

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

The Issuer Hays County Municipal Utility District No. 4 (the "District"), is a political subdivision of the State of Texas, as authorized by Article XVI, Section 59 of the Texas Constitution. The District was originally created by an order of the Texas Natural Resource and Conservation Commission, a predecessor agency to the Texas Commission on Environmental Quality (the "TCEQ") on July 3, 2003. The creation of the District was confirmed at an election held within the District on February 5, 2005. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District is authorized, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water, the collection, transportation, and treatment of wastewater, and the control and diversion of storm water to the approximately 194 acres within its boundaries, all of which lies within Hays County, Texas. See "THE DISTRICT – General".

Location..... The District, which encompasses approximately 194 acres of land, is located in Northwest Hays County, north of U.S. Highway 290 West between Oak Branch Drive and Heritage Oaks Drive. The District lies approximately 15 miles southwest of the City of Austin’s central business district and 6 miles east of the City of Dripping Springs’ central business district. The District lies totally within the extraterritorial jurisdiction of the City of Dripping Springs, Texas, and wholly within the boundaries of the Dripping Springs Independent School District. See "THE DISTRICT".

Developers/Landowners The active developer within the District is 290 East Bush, Inc., a Texas Corporation. See "DEVELOPERS/LANDOWNERS" AND "THE DISTRICT – Historical and Current Status of Development".

Development within
The District..... Of the approximately 194 acres of land within the District, 122.69 acres is developable under the land development regulations applicable to the property. As of March 1, 2018, 108.64 acres comprising approximately 88.55% of the developable land within the District has been developed and/or is currently platted or under construction upon what are known as the Bush Ranch, Phase One Revised final plat and the Bush Ranch Phase 2 Section 1, 2 & 3 plats. The remaining 14.05 acres of developable land will be platted and developed in the future. Utility facilities have been constructed in a capacity to serve all the land area within the currently developed area. Development within the District as of March 1, 2018 includes the following: (a) 234 finished residential lots upon which 228 homes have been completed leaving 6 vacant residential lots; (b) one 5,600 square foot office building located on a 1.36 acre commercial lot that is owned and occupied by a civil engineering firm (there is an additional 4,780 square feet of expansion area approved on the lot); (c) four fully developed, vacant commercial lots totaling 8.74 acres; (d) 0.75 acre lot with an amenity center, consisting of a swimming pool, bath house, and playscape; (e) one open space, drainage and utility lot upon which the wastewater plant and effluent irrigation facilities are located along with water quality facilities and a pocket park with playscape; (f) an approximately 8,000 square foot Trudy’s Tex-Mex Restaurant and Cantina (with approximately 1,500 square foot enclosed patio area and a 1,000 square foot rooftop event venue); (g) a 119 unit Independent Living (seniors) Apartment Home Community and a separate 65 room Assisted Living / Memory Care facility located on a 15.678 acre parcel

(Lot 2 Block A Bush Ranch Phase 3 Section 1) with plans to expand to 178 units in 2018 – 2019; and (h) an approximately 2,000 square foot office located on 1.778 acres (Lot 1 Block A Bush Ranch Phase 3 Section 1) that was formerly the developer’s office was purchased in early 2015 by Trepex, the company that developed the independent living / assisted living / memory care property, for use as their local corporate office. In addition to these completed developments the following properties in the District are in the planning stages and are expected to be developed within the next 18 to 24 months: (a) construction of an approximately 291 unit apartment home community is expected to begin during the 2nd quarter of 2018 on a 16.718 acre parcel of land, being Lot 1 Block A in the approved final plat of Bush Ranch Phase 2 Section 2; (b) construction of a approximately 20,000 square foot retail center to be located on approximately 2.7 acre parcel (not yet platted) located on a portion of the Hwy. 290 West frontage about 400 feet west of Ledge Stone Drive is expected to begin by the third quarter of 2018; (c) a 1.06 acre parcel (Lot 1 Block E Bush Ranch Phase 1 Section 1 Revised) was sold in April, 2016 to Velocity Credit Union for development of approximately 5,000 square foot branch office expected to be completed within the next 18 to 24 months; and (d) approximately 5,000 square foot expansion of the Trepex offices referenced above.

Homebuilders..... There are no active Homebuilders currently constructing homes within the District. See “THE DISTRICT – Historical and Current Status of Development.”

THE BONDS

Description The Bonds in the aggregate principal amount of \$5,250,000 mature annually in varying amounts on September 1 of each year as shown on the cover page hereof. Interest accrues from April 1, 2018 at the rates per annum set forth on the cover page hereof and is payable September 1, 2018 and each March 1 and September 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See "THE BONDS – General Description.”

Redemption..... Bonds maturing on or after September 1, 2026, are subject to optional redemption, in whole or from time to time in part, at the option of the District on September 1, 2025, and on any date thereafter at the price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Redemption Provisions”

Source of Payment..... Principal and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not limited as to rate or amount. **The Bonds are obligations solely of the Hays County Municipal Utility District No. 4 and are not obligations of the State of Texas; Hays County, Texas; the City of Dripping Springs, Texas or any other political subdivision or entity other than the District.** See "THE BONDS - Source of Payment."

Payment Record..... The District has never defaulted on the payment of any obligation. See “FINANCIAL STATEMENT – Outstanding Bonds”.

Authority for Issuance The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the boundaries of the District, an order of the TCEQ, and pursuant to an order (the “Bond Order”) adopted by the Board of Directors of the District. See “THE BONDS - Authority for Issuance.”

Use of Proceeds	The proceeds of the Bonds will be used to (i) acquire certain water, wastewater and drainage facilities and related facilities and (ii) pay associated engineering, permitting and legal costs. In addition, Bond proceeds will be used to capitalize approximately one year of interest on the Bonds and to pay certain costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
Bonds Authorized But	
Unissued	The Bonds are the third installment of \$26,280,000 in bonds authorized at an election held within the District on February 5, 2005 for the purpose or purposes of purchasing, constructing or otherwise acquiring a water and wastewater and drainage system for the District. After the sale of the Bonds, \$15,440,000 in bonds from the \$26,280,000 authorization in bonds will remain authorized but unissued.
Bond Insurance and	
Municipal Bond Ratings	It is expected that Standard & Poor's will assign a "AA" rating (stable outlook) with the understanding that upon the delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of principal and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). The premium for such insurance and any associated rating fees will be paid by the Initial Purchaser. On February 26, 2018, Moody's assigned a rating of Baa3 rating on the Bonds.
Qualified Tax-Exempt	
Obligations.....	The District has to designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended. Pursuant to that section of the Code, a qualifying financial institution will be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated "bank-qualified" investments.
General Counsel.....	McGinnis, Lochridge & Kilgore L.L.P., Austin, Texas.
Bond Counsel	Orrick, Herrington & Sutcliffe, LLP, Austin, Texas.
Disclosure Counsel	Johnson Petrov LLP, Houston, Texas.
Financial Advisor.....	SAMCO Capital Markets, Inc., Austin, Texas.
District Engineer	CMA Engineering, Inc., Austin, Texas.

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds involve certain investment considerations, and all prospective purchasers are urged to examine carefully the Official Statement, including particularly the section captioned "INVESTMENT CONSIDERATIONS," with respect to the investment security of the Bonds and other factors described therein.

SELECTED FINANCIAL INFORMATION

(Unaudited as of February 28, 2018)

2017 Assessed Valuation as of January 1, 2017 (100% of estimated market value)	\$105,430,599	(a)
Gross Debt Outstanding (after issuance of the Bonds)	\$10,205,000	(b)
Ratio of Gross Debt to 2017 Assessed Valuation as of January 1, 2017	9.68%	
2017 Tax Rate		
Debt Service	\$0.3826	
Maintenance & Operation.....	<u>\$0.4644</u>	
Total.....	\$0.8470	
Interest and Sinking Fund Balance	\$844,078	(c)
Average percentage of current tax collections - Tax Years 2012/2017	98.99%	
Average percentage of total tax collections - Tax Years 2012/2017	99.13%	
Projected Average Annual Debt Service Requirement (2019/2029) of the Bonds and the Outstanding Bonds ("Projected Average Requirement").....	\$774,845	
Projected Tax rate required to pay Average Requirement based upon 2017 Assessed Valuation at 95% collections as of January 1, 2017.....	\$0.78/\$100 A.V.	
Projected Maximum Annual Debt Service Requirement (2029) of the Bonds and the Outstanding Bonds ("Projected Maximum Requirement").....	\$813,186	
Projected Tax rate required to pay Maximum Requirement based upon 2017 Assessed Valuation at 95% collections as of January 1, 2017.....	\$0.82/\$100 A.V.	
Number of active single-family connections as of January 2018.....	228	
Estimated population as of January 2018	798	(d)

- (a) Certified Taxable Assessed Value within the District on January 1, 2017 as provided by the Hays Central Appraisal District ("HCAD"). See "TAXING PROCEDURES."
- (b) Includes the Bonds. See "FINANCIAL STATEMENT – Outstanding Bonds."
- (c) Included in the sale of Bonds is \$190,129.38 in capitalized interest which will be deposited to the Debt Service Fund upon closing. Neither Texas Law nor the Bond Order requires that the District maintain any particular sum in the Interest & Sinking Fund.
- (d) Based on 3.5 residents per completed single-family connection.

OFFICIAL STATEMENT

relating to

\$5,250,000

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
(A Political Subdivision of the State of Texas Located in Hays County, Texas)
Unlimited Tax Bonds, Series 2018

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Hays County Municipal Utility District No. 4 (the “District”) of its \$5,250,000 Unlimited Tax Bonds, Series 2018 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, pursuant to an election held within the boundaries of the District, pursuant to an order (the “Bond Order”) adopted by the Board of Directors (the “Board”) of the District on the date of the sale of the Bonds, and pursuant an approving order of the Texas Commission on Environmental Quality (the “TCEQ”).

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

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at Orrick, Herrington & Sutcliffe, LLP, 300 West Sixth Street, Suite 1850, Austin, Texas 78701 or during the offering period from the District’s Financial Advisor, SAMCO Capital Markets, Inc., Attn: Christina M. Lane, 6805 Capital of Texas Highway, Suite 350, Austin, Texas 78731 upon payment of reasonable copying, mailing and handling charges.

THE BONDS

General Description

Following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order of the Board authorizing the issuance and sale of the Bonds. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will bear interest from April 1, 2018 and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the cover page hereof. Interest on the Bonds will be paid on September 1, 2018 and March 1 and September 1 (each an “Interest Payment Date”) thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in the denomination of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner (including the beneficial owners, the “Owner”) and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the Owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial Paying Agent/Registrar for the Bonds is ZB National Association, dba Amegy Bank, Houston, Texas (“Paying Agent/Registrar”).

Authority for Issuance

At a bond election held within the District on February 5, 2005 (the “Bond Election”), the voters of the District authorized the issuance of \$26,280,000 principal amount of unlimited tax bonds for the purpose or purposes of constructing or otherwise acquiring a waterworks, sanitary sewer and drainage systems for the District. See “Issuance of Additional Debt” below.

By adoption of an order dated December 11, 2017 (the “TCEQ Order”), the TCEQ authorized the District to sell the Bonds subject to certain restrictions, including restrictions on the use of Bond proceeds as summarized in “USE AND DISTRIBUTION OF BOND PROCEEDS”.

The Bonds are issued by the District pursuant to the Bond Election; the TCEQ Order; the terms and provisions of the Bond Order; Article XVI, Section 59 of the Constitution of the State of Texas; Chapters 49 and 54 of the Texas Water Code, as amended; and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. In addition, as required by the Agreement Concerning Creation and Operation of the District dated July 25, 2002 (the “Consent Agreement”) the District submitted a copy of its TCEQ bond application to the City of Dripping Springs (the “City”) for review. The City reviewed the bond application report and does not object to the issuance of the Bonds.

Before the Bonds can be issued, the Attorney General of Texas must initially pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

Redemption Provisions

Optional Redemption...The Bonds maturing on and after September 1, 2026, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2025, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption.

Mandatory Sinking Fund Redemption...In addition to being subject to optional redemption, as provided above, the Bonds maturing September 1, 2038 are subject to mandatory sinking fund redemption prior to maturity in the following amounts, on the following dates and at a price of the principal amount thereof plus accrued interest to the redemption date from amounts required to be deposited in the Interest and Sinking Fund:

Bonds Maturing September 1, 2038

<u>Mandatory</u>	<u>Principal</u>
<u>Redemption Date</u>	<u>Amount</u>
09/01/2037	\$380,000
09/01/2038	\$400,000

The principal amount of the Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions will be reduced, at the option of the District, by the principal amount of any Bonds of the stated maturity which, at least 45 days prior to a mandatory redemption date, (1) have been acquired by the District, and delivered to the Paying Agent/Registrar for cancellation, (2) have been purchased by the District, with monies in the Interest and Sinking Fund for the Bonds at a price not exceeding the principal amount of the Bonds plus accrued interest to the date of purchase thereof and delivered to the Paying Agent/Register for cancellation, or (3) have been called for optional redemption in part and not theretofore credited against a mandatory sinking fund redemption requirement.

Notice of Redemption...The Paying Agent/Registrar will give written notice of redemption, by first class mail or overnight delivery, not less than thirty (30) days prior to the redemption date, to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the Owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. If less than all of the Bonds are redeemed at

any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the Board. If less than all of the Bonds of a particular maturity are to be redeemed, the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot or such random method as Paying Agent/Registrar shall deem fair and appropriate.

Conditional Notice of Redemption ... The District may make any notice of redemption conditional on the occurrence of a condition precedent. In the event that the District chooses to provide a conditional notice of redemption, the District shall include in the notice of redemption that the redemption is conditioned upon the occurrence of a condition precedent.

Termination of Book-Entry-Only System

The Bonds are subject to the book-entry-only system administered by DTC. See "BOOK-ENTRY-ONLY SYSTEM." In the event that the book-entry-only system is discontinued by DTC or the District, the following provisions will be applicable to the Bonds.

Payment...Principal of the Bonds will be payable at maturity to the Owners as shown by the registration books maintained by the Paying Agent/Registrar upon presentation and surrender of the Bonds to the Paying Agent/Registrar at the designated office for payment of the Paying Agent/Registrar in Houston, Texas (the "Designated Payment/Transfer Office"). Interest on the Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent/Registrar by United States mail, first class, postage prepaid, to the Owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent/Registrar requested by an Owner at the risk and expense of such Owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding business day and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

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

Limitation on Transfer of Bonds...Neither the District nor the Paying Agent/Registrar shall be required to make any transfer, conversion or exchange to an assignee of the Owner of the Bonds (i) during the period commencing on the close of business on the 15th calendar day of the month preceding each Interest Payment Date (the "Record Date") and ending with the opening of business on the next following principal or Interest Payment Date, or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Owner of the uncalled balance of a Bond.

Replacement Bonds...If a Bond is mutilated, the Paying Agent/Registrar will provide a replacement Bond in exchange for the mutilated Bond. If a Bond is destroyed, lost or stolen, the Paying Agent/Registrar will provide a replacement Bond upon (i) the filing by the Owner with the Paying Agent/Registrar of evidence satisfactory to the Paying Agent/Registrar of the destruction, loss or theft of the Bond and the authenticity of the Owner's ownership, and (ii) the furnishing to the Paying Agent/Registrar of indemnification in an amount satisfactory to hold the District and the Paying Agent/Registrar harmless. All expenses and charges associated with such indemnity and with the

preparation, execution and delivery of a replacement Bond must be borne by the Owner. The provisions of the Bond Order relating to the replacement Bonds are exclusive and to the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and cost of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds. The Bonds are obligations of the District and are not the obligations of the State of Texas; Hays County, Texas; the City of Dripping Springs, Texas; or any other political subdivision or any entity other than the District.

Perfected Security Interest

Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the taxes as security therefore, and such pledge is, therefore, valid, effective, and perfected. Should Texas law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the taxes is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, in order to preserve to the Owners of the Bonds a security interest in such pledge, the District has agreed in the Bond Order to take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge to occur.

Payment Record

This will be the District's third installment from an authorized issuance of \$26,280,000. The District issued bonds in 2010, which bonds were refunded in 2015, and 2013 and has not defaulted on the payment of any obligation.

Funds

Interest and Sinking Fund: The Bond Order establishes the District's Interest and Sinking Fund (the "Interest and Sinking Fund"). The Interest and Sinking Fund will contain two accounts: Payment Account and the Capitalized Interest Account. Accrued interest on the Bonds will be deposited in the Payment Account, and an amount equal to approximately 12 months' interest on the Bonds will be deposited from proceeds from sale of the Bonds into the Capitalized Interest Account. Any amounts remaining in the Capitalized Interest Account after the payment of interest on March 1, 2019 will be transferred to the Payment Account of the Interest and Sinking Fund. The Interest and Sinking Fund, which constitutes a trust fund for the benefit of the Owners and any additional tax bonds issued by the District (whether for utility or refunding purposes), is to be kept separate from all other funds of the District and is to be used for payment of debt service on the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Interest and Sinking Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar and, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds payable from taxes.

Capital Projects Fund. The Bond Order establishes the District's Capital Projects Fund (the "Capital Projects Fund"). After the initial deposits to the Payment Account and the Capitalized Interest Account, and all remaining Proceeds of the sale of the bonds will be deposited into the Capital Projects Fund. Any monies remaining in the Capital Projects Fund after completion of construction of the entire System will be transferred to the Interest and Sinking Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of Bond proceeds and the projects related thereto.

Registration and Transfer

So long as the Bonds remain outstanding, the Paying Agent/Registrar shall keep the register at its principal corporate trust office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bonds for a period of forty-five (45) days next preceding the selection of Bonds for redemption or to transfer or exchange any Bonds called for redemption; provided, however, such limitation of transfer will not be applicable to an exchange by the Owner of the uncalled balance of a Bond.

The District or the Paying Agent/Registrar may require the Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connections with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar by the District. If the Paying Agent/Registrar is replaced by the District the new Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any Paying Agent/Registrar selected by the District shall be a national or state banking institution, an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, authorized by law to serve as Paying Agent/Registrar for the Bonds.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT - General." The District's voters have authorized the issuance of \$26,280,000 of unlimited tax bonds and could authorize additional amounts. Any additional bonds sold would be on parity with the Bonds. Following the issuance of the Bonds, the District will have \$15,440,000 of unlimited tax bonds authorized but unissued.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "INVESTMENT CONSIDERATIONS - Future Debt."

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of such bonds by the Attorney General of Texas. The Board has not considered calling an election for purposes of authorization of a detailed master plan and issuance of bonds for fire-fighting activities at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of the district(s) with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation.

Remedies in Event of Default

Other than a writ of mandamus and other relief authorized by law, the Bond Order does not expressly provide a specific remedy for a default. Based on recent Texas court decisions, it is unclear whether certain legislation effectively waives governmental immunity of governmental entities for suits for money damages. Even if an Owner could obtain a judgment against the District for a default in the payment of principal or interest, such judgment could not be satisfied by execution against any property of the District. If the District defaults, an Owner could petition for

a writ of mandamus issued by a court of competent jurisdiction requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principals of equity. See "INVESTMENT CONSIDERATIONS - Owners' Remedies" and - "Bankruptcy Limitation to Owners' Rights."

Legal Investment and Eligibility to Secure Public Funds in Texas

The Bonds are (a) authorized investments in the State of Texas for banks, savings and loan associations, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, trustees and (b) legal investments for public funds of cities, villages, schools districts, and other political subdivisions or public agencies of the State of Texas. The Bonds are also eligible under the Public Collateral Act to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Most political subdivisions in the State are required to adopt investment guidelines under the Public Funds Investment Act, and such political subdivisions may impose other, more stringent, requirements in order for the Bonds to be legal investments of such entity's funds or to be eligible to serve as collateral for their funds.

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

Defeasance

Except to the extent provided in the Bond Order, any Bond, and the interest thereon, will be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") when payment of the principal, of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) has been made or caused to be made in accordance with the terms thereof or (ii) has been provided for on or before such due date by irrevocably depositing with or making available to a paying agent (a "Depositary"), with respect to the safekeeping, investment, administration, and disposition of a deposit made for such payment (the "Deposit") (A) lawful money of the United States of America sufficient to make such payment or (B) Government Obligations, which may be in book-entry form, that mature and bear interest payable at times and in amounts sufficient to provide for the scheduled payment and of any Defeased Bond. To cause a Bond scheduled to be paid on a date later than the next scheduled interest payment date on such Bond to become a Defeased Bond, the District must, with respect to the Deposit, enter into an escrow or similar agreement with a Depositary.

The Bond Order provides that "Government Obligations" means any securities permitted by Section 1207.062, Texas Government Code (or any successor statute), including (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

In connection with any defeasance of the Bonds, the District will cause to be delivered: (i) in the event an escrow or similar agreement has been entered into with a Depositary to effectuate such defeasance, a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay the Defeased Bonds in full on the maturity or, with respect to the Bonds, the redemption date thereof (the "Verification"); or (ii) in the event no escrow or similar agreement has been entered into, a certificate from the authorized representative of the District certifying that the amount deposited with a Depositary is sufficient to pay the Defeased Bonds in full on the maturity date, or with respect to the Bonds, the redemption date thereof. In

addition to the required Verification or certificate, the District will also cause to be delivered an opinion of nationally recognized bond counsel to the effect that the Defeased Bonds are no longer outstanding pursuant to the terms hereof and a certificate of discharge of the Paying Agent/Registrar with respect to the Defeased Bonds. The Bonds will remain outstanding hereunder unless and until they are in fact paid and retired or the above criteria are met.

At such time as a Bond will be deemed to be a Defeased Bond hereunder, and all herein required criteria have been met, such Bond and the interest thereon will no longer be outstanding or unpaid and will no longer be entitled to the benefits of the pledge of the security interest granted under the Order, and such principal and interest will be payable solely from the Deposit of money or Government Obligations; provided, however, the District has reserved the option to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the Owners immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Specific Tax Covenants

In the Bond Order the District has covenanted with respect to among other matters, the use of the proceeds of the Bonds and the use of facilities financed therewith by persons other than state or local governmental units, and the manner in which the proceeds of the Bonds are to be invested. The District may cease to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that regulations or rulings hereafter promulgated modify or expand provisions of the Internal Revenue Code of 1986, as amended (the "Code"), so that such covenant is ineffective or inapplicable or compliance with such covenant adversely affects the exclusion from gross income of interest on the Bonds under Section 103 of the Code.

Additional Covenants

The District has additionally covenanted in the Bond Order that to the extent it has the authority to do so, it will (i) levy an ad valorem tax that will be sufficient to provide funds to pay the current interest on the Bonds and to provide the necessary sinking fund, (iii) keep accurate records and accounts and employ an independent certified public accountant to audit and report on its financial affairs at the close of each fiscal year, such audits to be in accordance with applicable law, rules and regulations and open to inspection in the office of the District.

Amendment to Bond Order

The Bond Order contains provisions to the effect that the District may, without the consent of or notice to any Owners of the Bonds amend, change or modify the Bond Order as may be required (a) by the provisions of the Bond Order, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission in the Bond Order, or (c) in connection with any other change that does not in any respect materially and adversely affect the interest of the Owners of the Bonds. Except for such amendments, changes or modifications, the District shall not amend, change or modify the Bond Order in any manner without the consent of at least 51% the Owners in aggregate principal amount of the outstanding Bonds, affected thereby; provided that without the consent of all of the Owners affected, no such amendment, change, modification, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Bonds or reduce the principal amount thereof or the rate of interest thereon; (ii) give any preference to any Bond over any other Bond; (iii) extend any waiver of default to subsequent defaults; or (iv) reduce the aggregate principal amount of Bonds required for consent to any such amendment, change, modification, or rescission.

Alteration of Boundaries

In certain circumstances, under Texas law the District may alter its boundaries to: (1) upon satisfying certain conditions, annex additional territory; and (2) exclude land subject to taxation within the District that is not served by District facilities if the District simultaneously annexes land of equal acreage and value that may be practicably served by District facilities. No representation is made concerning the likelihood that the District would affect any additional changes in its boundaries.

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the quality of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

BOOK-ENTRY-ONLY SYSTEM

The Bonds will be available only in book-entry form. Consequently, purchasers of ownership interests in the Bonds will not receive certificates representing their respective interests in the Bonds. This section describes how ownership of the Bonds is to be transferred and how the payments of principal of and interest on the Bonds are to be paid to and accredited by Depository Trust Company, New York, New York (“DTC”), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Underwriters and the District believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission (“SEC”), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

A Beneficial Owner shall give notice to elect to have its Bonds purchased, through its Participant, to the Paying Agent/Registrar, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent/Registrar. The requirement for physical delivery of Bonds in connection with a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent/Registrar's DTC account.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

EXTRATERRITORIAL JURISDICTION AND ANNEXATION

The District lies within the extraterritorial jurisdiction of the City of Dripping Springs, Texas (the “City” or “Dripping Springs”). Under Texas law, a city may annex a special district located within its extraterritorial jurisdiction pursuant to certain statutory provisions that allow for negotiations between the city and the special district as to the timing, terms and conditions of the annexation. And if an agreement is reached whereby the special district will be fully annexed and subsequently dissolved, the City succeeds to the powers, duties, assets and obligations of the District.

The City, the District, and 194 Bush, Ltd., the original owner of the 194 acres of investment property that comprise the District, have entered into the Consent Agreement which, among other provisions, provides for conditions whereby the City will not annex any part of the District until at least 90% of the project facilities for which District bonds have been authorized have been installed. 194 Bush, Ltd. has partially assigned its interest in the Consent Agreement to 290 East Bush, Inc. and sold a portion of its investment property to 290 East Bush Inc. (See ‘DEVELOPERS/LANDOWNERS’ and ‘THE DISTRICT – Historical and Current Development’). The Consent Agreement further provides that, upon annexation, the City will succeed to all powers, duties, assets and obligations under valid and duly authorized contracts entered into by the District prior to the first notice of annexation including, but not limited to, the developer reimbursement agreement and any bond obligations of the District. Upon satisfaction of the conditions to annexation, the City may, but will not be required to, annex the District and no representation is made concerning the annexation of the District by the City or its ability to make debt service payments on the Bonds should annexation occur.

The District and the City entered into Strategic Partnership Agreement (“SPA”) dated September 21, 2010, which applied to a portion of the District. The SPA permitted the City to annex 85.976 acres within the District for the sole purpose of allowing the City to collect a 1% retail sales tax on retail businesses that are or will be located in the District. The City was not granted any other development rights such as zoning or building restrictions in connection with the Limited Purpose Annexation. The sales tax revenues collected by the City are split 50 / 50 with the District.

The area that was annexed for limited purposes includes (1) 8.74 acres that comprise the four commercial lots in the Phase 1 Section 1 Revised plat (Lots 1 – 4 Block E) that front US Hwy. 290 West; (2) 4.895 acre Phase 2 Section 2 Lot 1 Block A lot upon which the Trudy’s restaurant is located; (3) 16.718 acres that comprise the approved Lot 1 Phase 2 Section 2 preliminary plat for the multi-family apartment home community; (4) a 3.057 acre vacant platted commercial lot (Lot 2 Phase 2 Section 2); (5) offices located on a 1.778 acre lot (Lot 1 Phase 3 Section 1 Block A); (6) 15.678 acre Senior Living development on Lot 2 Phase 3 Section 1 Block A; and (7) 14.05 acres of un-platted Mixed Use land. The remaining acreage within the area that was limited purpose annexed has been or will be used for roadway and utility rights of way, open space, storm water detention and water quality improvements, irrigation area, and open space. The SPA also provides that the City will not commence a full purpose annexation of the District until the later of (i) 15 years of the effective date of the SPA, or (ii) the date following completion of the water, wastewater, roadway and drainage facilities required to serve at least 90% of the developed acreage within the District, or (iii) as otherwise provided in the District’s creation agreement.

[The rest of this page intentionally left blank.]

USE AND DISTRIBUTION OF BOND PROCEEDS

The proceeds of the Bonds will be used to (i) acquire certain water, wastewater, drainage facilities and related facilities, and (ii) pay associated engineering and legal costs. In addition, proceeds of the Bonds will be used to capitalize approximately one year of interest on the Bonds and to pay certain costs associated with the issuance of the Bonds.

The presently estimated use and distribution of Bond proceeds is set forth below. Of the proceeds to be received from the sale of the Bonds, \$3,623,395 is estimated to be required for construction costs, and \$1,626,605 is estimated to be required for non-construction costs.

CONSTRUCTION COSTS:

A. Developer Contribution Items	<u>Amount</u>
1. Bush Ranch Phase 1, Sections 1 & 2 – W, WW & D	\$2,213,043
2. Bush Ranch Phase 1, Section 3 – W, WW & D	424,405
3. Bush Ranch Phase 2, Section 1 – W, WW & D	593,073
4. Engineering for Items No. 1 – 3 and for Bush Ranch Phase 2, Section 2	<u>392,874</u>
TOTAL DEVELOPER CONTRIBUTION ITEMS	<u>\$3,623,395</u>
B. District Items	
None	\$ 0
TOTAL CONSTRUCTION COSTS (69% OF BIR)	<u>\$3,623,395</u>

NON-CONSTRUCTION COSTS:

	<u>Amount</u>
A. Legal Fees (2%)	\$ 105,000
B. Fiscal Agent Fees (2%)	105,000
C. Interest Cost	
1. Capitalized Interest (12 months)	190,129
2. Developer Interest (a)	772,387
D. Bond Discount	150,839
E. Operating Expenses	115,037
F. Bond Issuance Expenses	38,806
G. Bond Application Report Costs	52,000
H. Attorney General's Fee (0.10%)	5,250
I. TCEQ Bond Issuance Fee (0.25%)	13,125
J. Contingency (b)	<u>79,032</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$1,626,605</u>

TOTAL BOND ISSUE REQUIREMENT **\$5,250,000**

(a) Projected, pending reimbursement audit approval.

(b) In its approval of the issuance of the Bonds the TCEQ directed any surplus bond proceeds resulting from the sale of bonds at a lower interest rate (than anticipated in the Bond Application Report) to be shown as a contingency line item subject to TCEQ rules on the use of surplus bond funds.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Hays County, Texas; Dripping Springs, Texas; or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. (See "THE BONDS - Source of Payment.") The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the Owners of

the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Owners' Remedies" below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors and Interest Rates: A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values.

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Lenders have been selective in recent years in making real estate loans in the Austin area because of the negative impact to their real estate portfolios. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued development and construction within the District. In addition, although located approximately 15 miles from the central downtown business district of the City of Austin, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and regional economics.

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

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

Developer Under No Obligation to the District: The Developer has informed the Board of its current plan to continue to develop land in the District for single family home, multi family home, and mixed-use retail and commercial purposes. However, the Developer is not obligated to implement such plan on any particular schedule or at all. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowners to whom a party may sell all or a portion of its holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts and failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer (see "TAX DATA - Top Ten Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the developers will be or what effect, if any, such conditions may have on its ability to pay taxes. See "THE DEVELOPERS/LANDOWNERS."

Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 2017 assessed valuation of the District is \$105,430,599 (see "FINANCIAL STATEMENT"). After issuance of the Bonds, the Maximum Annual Debt Service Requirement is estimated to be \$813,186 (2029) and the Average Annual Debt Service Requirement is estimated to be \$774,845 (2019 through 2029, inclusive). Based on the 2017 assessed valuation and no use of funds on hand, a tax rate of \$0.82 per \$100 assessed valuation, at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service

Requirement of \$813,186 and a tax rate of \$0.78 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the Average Annual Debt Service Requirement of \$774,845. See "PROJECTED DEBT SERVICE REQUIREMENTS" and "TAX DATA - Tax Adequacy for Debt Service."

Tax Collections and Foreclosure Remedies

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

Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interest of the Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District.

On June 30, 2006, the Texas Supreme Court (the "Court") ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke") that a waiver of sovereign immunity must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued" or "plead and be impleaded", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act applies to districts and relates to contracts entered into by districts for goods or services. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Bankruptcy Limitation to Owners' Rights

The enforceability of the rights and remedies of Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the U.S. Bankruptcy Code 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under

Texas law, a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the U.S. Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

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

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

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

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

Marketability

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

Continuing Compliance with Certain Covenants

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

Future Debt

The District reserves in the Bond Order the right to issue the remaining \$15,440,000 authorized but unissued bonds (see "FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized but Unissued"), and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, refunding bonds, inferior lien bonds, and other obligations described in the Bond Order. All the remaining \$15,440,000 bonds, which have heretofore been authorized by the voters of the District may be issued by the District, with the approval of the TCEQ, from time to time as improvement needs arise. If the District does issue future bonds or other debt obligations, such issuance could increase gross debt/property valuation ratios and might adversely affect the investment security of the Bonds.

A portion of the proceeds of the Bonds will reimburse the Developer for advanced funds not yet reimbursed, but after such reimbursement, there may be approximately \$724,735 in advanced funds or costs, which may need to be reimbursed by the District in the future. The District may issue bonds to reimburse such costs or may use a combination of cash on hand and bond proceeds to reimburse such costs. With respect to the District's issuance of additional bonds to reimburse such costs, the District may do so after approval of the TCEQ. In addition, future, changes in health, environmental, or other governmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS – Issuance of Additional Debt."

Approval of the Bonds

As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS". In addition, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery.

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

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "BOND INSURANCE" and "MUNICIPAL BOND RATINGS" herein. As is stated in this Official Statement under the caption "LEGAL MATTERS – No Material Adverse Change," the rating of the Insurer's creditworthiness by any rating agency does not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Initial Purchaser of its obligations to take up and pay for the Bonds.

The obligations of the Insurer are contractual obligations and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies. Neither the District nor the Initial Purchaser has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

DISTRICT MAP

DISTRICT MAP - HCMUD No. 4



THE DISTRICT

General

The District is a political subdivision of the State of Texas, as authorized by Article XVI, Section 59 of the Texas Constitution. The District was originally created by an order of the Texas Natural Resource and Conservation Commission, a predecessor agency to the TCEQ on July 3, 2003. The creation of the District was confirmed at an election held within the District on February 5, 2005. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ and is located within the extraterritorial jurisdiction of the City of Dripping Springs, Texas, and within the boundaries of Dripping Springs Independent School District.

The District contained 193.93 acres at the time of creation. There have been no annexations or exclusions of land since creation of the District. The current District acreage remains at 193.93 acres.

The District has the statutory authority, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste collection and disposal service and is authorized to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters of the District and the TCEQ. The District has no present plans to provide a fire department. Fire protection and emergency services is provided to the District by the North Hays Co. Emergency Services District No. 1.

Location

The District is located in Northwest Hays County, north of U.S. Highway 290 West between Oak Branch Drive and Heritage Oaks Drive. The District lies approximately 15 miles southwest of the City of Austin’s central business district and 6 miles east of the City of Dripping Springs’ central business district. The District lies totally within the extraterritorial jurisdiction of the City of Dripping Springs, Texas and wholly within the boundaries of the Dripping Springs Independent School District.

Management of the District

Board of Directors

The District is governed by a board (the “Board of Directors”) consisting of five directors, which has control over and management supervision of all affairs of the District. Directors’ terms are four years with elections held within the District on the first Saturday in May in each even numbered year. All of the Directors own property in the District.

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>	<u>Term Expires May</u>
Brent Hammond	President	3 years	2018
Ryan A. Ziehe	Vice President	12 years	2018
Brian Hardin	Secretary	8 months	2020
Dilipkumar B. Patel	Treasurer	1 year	2020
Paul Heligenthal	Asst. Secretary/Treasurer	7 years	2020

Consultants

Tax Assessor/Collector

Land and improvements in the District are being appraised by the Hays Central Appraisal District. The Tax Assessor/Collector is appointed by the Board. The Hays District Tax Assessor/Collector, Ms. Luanne Caraway, currently serves the District in this capacity under contract.

Operator/Bookkeeper

The District contracts with INFRAMARK to operate as Operator and Bookkeeper for the District.

Engineer

The District's consulting engineer is CMA Engineering, Inc. (the "Engineer").

Auditor

The District's audited financial statements for the year ended September 30, 2017, were prepared by Maxwell Locke & Ritter L.L.P. See "APPENDIX A" for a copy of the District's year end September 30, 2017, audited financial statements.

Financial Advisor

SAMCO Capital Markets, Inc. serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds. The Financial Advisor has been authorized through a resolution of the Board to submit a bid for the purchase of the Bonds.

Bond Counsel

The District has engaged Orrick, Herrington & Sutcliffe, LLP ("Orrick") Austin, Texas as Bond Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds.

General Counsel

The District has engaged McGinnis Lochridge & Kilgore L.L.P. ("McGinnis"), Austin, Texas as the District's general counsel.

Disclosure Counsel

The District has employed Johnson Petrov, LLP, Houston, Texas, as disclosure counsel.

Historical and Current Status of Development

In the spring of 2006, 290 East Bush, Inc. began development of the first two of the three total sections {sections 1 and 2) of Bush Ranch Phase One Revised subdivision, known locally by the name "Ledge Stone". As of the date of this report 234 residential lots have been developed within the District. From late 2006 to 2016, construction of single-family homes continued on an uninterrupted basis. During that time 228 homes were completed leaving only 6 vacant developed lots upon which additional homes may be constructed. These 6 lots are owned by 290 East Bush Inc. and will be marketed to local builders.

In addition to single-family residential development that has occurred within the District, there have been ten mixed use / commercial lots developed with improvements having been completed on four of them as follows: (1) an engineering office (CMA Engineering); (2) a completed Tex-Mex restaurant (Trudy's); (3) the local corporate offices of Trepex; and (4) the independent living / assisted living / memory care community developed by Trepex. Of the remaining 6 mixed use / commercial lots, one has been sold to Velocity Credit Union for a future branch office and one has been sold for development into a +/- 290-unit apartment home community and the remaining 4 are available for purchase. Finally, there are an additional 14.05 acres of un-platted land that will be platted and developed in the future.

A. Bush Ranch Phase One Summary of Development with Utility Facilities

	<u>Acreage</u>	<u>Platted Lots</u>	<u>Completed Homes/ Buildings</u>	<u>Under Construction</u>	<u>Vacant Lots</u>
Residential	55.660	234	228	0	6
Commercial (a)	19.830	8	3	0	5
Multi-Family (b)	16.718	1	0	0	1
Senior Living	15.678	1	2	0	0
Amenities	<u>00.750</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>
Total	108.636	245	234	0	12

B. Remaining Developable Acreage

Mixed Use (c)	<u>14.050</u>
Total	14.050

C. Other

Right of Way	10.925
Open Space	13.851
WWTP Util. (d)	39.020
Flood Plain	<u>7.440</u>
Total	71.236

Total Acreage: 193.930

- (a) Five lots totaling 10.1 acres in Phase 1 (Unimproved Lots 1- 4 Block E plus CMA Office on Lot 1 Block A); plus 4.895 acres Trudy’s Restaurant (Lot 1 Phase 2 Section 1 Block A); plus 1.778 acres office (Lot 1 Phase 3 Section 1 Block A); plus unimproved 3.057 acre Lot 2 Phase 2 Section 2 Block A.
- (b) Approved 291-unit development on Lot 1 Phase 2 Section 2 Block A currently planned for a spring 2018 construction start with 15 to 18 months of construction time.
- (c) Includes 8.25 acre and 2.8 acres un-platted parcels fronting US Hwy. 290 West plus 3.0 acres un-platted parcel at the northeast corner of Four Star Blvd. and Rocky Ridge Trail.
- (d) There is room allocated within this area for future expansion of previously TCEQ permitted wastewater drainage improvements. Within this area there is a completed building that houses the pumps, controllers, blowers, etc. for the wastewater treatment and drip irrigation facilities

In addition to the residential and commercial development within the District, other development consists of an amenity center comprised of a swimming pool, bathhouse and playscape area, and improvements located on an open space lot, drainage, and utility lot upon which the wastewater plant and effluent irrigation facilities are located along with the drainage and water quality facilities and a pocket park with playscape.

Future Development

Per the schedule above, the District contains approximately 14.05 acres that remain undeveloped but are developable acres under current land development regulations. This land is currently owned by 194 Bush, Ltd. and the anticipated potential uses include retail, office, restaurants, commercial activities, hotels, and other uses as demand may afford; however, 194 Bush, Ltd. is under no obligation to continue to market or develop the property and anticipates selling the property in bulk to a third-party development entity such as 290 East Bush Inc.

Annexation of the District

The District is located entirely within the extraterritorial jurisdiction of the City of Dripping Springs, Texas. Under state law, the District may be annexed by the City if certain statutory requirements are satisfied. The District and Dripping Springs entered into a strategic partnership agreement authorizing a limited purpose annexation of certain portions of the District designated for commercial use. For full explanation of the SPA and its purposes and impact on annexation see “EXTRATERRITORIAL JURISDICTION AND ANNEXATION.”

DEVELOPERS/LANDOWNERS

Role of the Developers/Landowners

In general, the activities of a landowner or developer in a utility district, such as the District, include, among other activities, purchasing land within the future district, petitioning for creation of the district, designing the development, defining a marketing program, planning and scheduling building schedules, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases water, sewer, and drainage facilities in the utility district) pursuant to the rules of the TCEQ, and selling improved lots or commercial reserves to builders, other developers or third parties. Ordinarily, the developer pays one hundred percent (100%) of the costs of paving and amenity design and construction and, in some cases, up to 30% of the costs of construction of the water supply and distribution, wastewater collection, and drainage facilities. While a landowner or developer is required by the TCEQ to pave streets and pay for its allocable portion of the costs of utilities to be financed by the district through a specific bond issue, if any, a developer is under no obligation to a district to undertake development activities with respect to other property it owns within the district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of the developer to perform such activities in development of the property within the utility district may have a profound effect on the security for the bonds issued by a district.

Description of the Developers/Landowners

All developed property (Bush Ranch Phase One Revised, Bush Ranch Phase 2 Section 1, Bush Ranch Phase 2 Section 2, and Bush Ranch Phase 3 Section 1) is located within the District and was developed by 290 East Bush, Inc. referred to hereinafter as the ("Developer"). The Developer was formed for the purpose of acquiring and developing portions of the land within the District owned by 194 Bush, Ltd., the entity that created the District and that formerly owned all of the land within the District. 290 East Bush, Inc. currently has in place a development loan with Southside Bank, which is held by Southside Bancshares Inc. head quartered in Tyler, Texas. The development loan is active and secured by certain properties within the boundaries of the District and 290 East Bush, Inc. is in good standing with regard to the development loan.

Agricultural Waiver

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation. The Developer has executed a Waiver of Special Appraisal, waiving its right to claim any agriculture or open space exemptions, or any other type of exemption or valuation, for the property it owns within the District that would reduce the assessed value of such land below its market value for purposes of ad valorem taxation by the District. Such waiver is binding for a period of thirty (30) years.

Utility Construction Agreements

The District is a party to that certain Utility Construction Agreement between the District and 194 Bush, Ltd. dated July 22, 2005 (hereinafter referred to as the "UCA"). By partial assignment from 194 Bush, Ltd., 290 East Bush, Inc. is also a party to the UCA. The UCA outlines the conditions under which the District will issue bonds to reimburse 194 Bush, Ltd. and 290 East Bush, Inc. for qualified water, wastewater and drainage facilities within and outside the District. Under the terms of the agreement, the District has agreed to repay the cost of facilities through a series of bond sales over time. The District's obligation to issue bonds and reimburse 194 Bush, Ltd. and/ or 290 East Bush, Inc. for funds advanced for such facilities is subject to various conditions including the approval of such facilities and bonds by the TCEQ and the Texas Attorney General, and the recommendation of the District's financial advisor that the sale of the bonds is feasible and prudent.

THE SYSTEM

General

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

Construction and operation of the District’s waterworks, wastewater, and drainage facilities as it exists or as it may be expanded from time to time is subject to the regulatory jurisdiction of federal and state authorities including but not limited to, the Environmental Protection Agency and the TCEQ.

Water System

Water is supplied to the District under an agreement that was originally with the Lower Colorado River Authority (“LCRA”) and was, on March 19, 2012, assigned to the West Travis County Public Utility Agency (“WTCPUA”). The LCRA sold portions of its water supply and distribution system to the WTCPUA pursuant to an Installment Purchase Agreement dated January 17, 2012. See “THE SYSTEM – WTCPUA”.

The WTCPUA provides water at the southern boundary of the District through an existing 8-inch waterline that the WTCPUA is planning to replace with a larger line. Billings to individual residences are handled directly by the WTCPUA through an agreement with the District. The District’s agreement with the WTCPUA includes provisions for the operation, maintenance, and repair of the water system. The District is located within the WTCPUA’s CCN and, accordingly, the WTCUPA is obligated to provide water service to the area within its CCN.

Wastewater System

Wastewater treatment is provided by the District pursuant to a TCEQ approved 150,000 gallons per day (“GPD”) wastewater treatment permit. The permit called for an initial phase of 75,000 GPD and a second phase of another 75,000 GPD. The current plant and irrigation capacity is 75,000 GPD but the treated effluent storage capacity is sized to accommodate the entire 150,000 GPD ultimate plant capacity. Phased construction of the wastewater treatment facilities was deemed necessary due to physical constraints of the system and the economics involved are more economically feasible for the Developer and the District than constructing permanent facilities at the onset of the project. The Developer has set aside sufficient land for the ultimate wastewater treatment and effluent disposal facilities. Current treatment flows are approximately 60% of the existing 75,000 GPD capacity. Based on projected growth in the District, the existing treatment facility capacity should be sufficient to accommodate the next 1 ½ to 2 ½ years of growth. The second phase improvements will be designed and constructed when needed.

Drainage System

The storm drainage system that serves the District consists of curb and gutter streets and storm sewers that outfall into combination water quality treatment and detention ponds. The District currently operates two sand filtration water quality ponds, one water quality wet pond and two storm water detention ponds.

WTCPUA

The WTCPU is a public utility agency governed by Chapter 572 of the Texas Local Government Code. It is organized and created by concurrent ordinance of Hays County, the City of Bee Cave, and West Travis County Municipal Utility District No. 5. The WTCPUA exercises the powers granted by Chapter 572 and the concurrent ordinance, including authority to own and operate a water and wastewater utility system. The WTCPUA is led by a five-member Board of Directors, with at least one director appointed and represented by each sponsor entity.

The WTCPUA was created to acquire, operate and own the LCRA West Travis County Water and Wastewater System (“WTC System”). The WTCPUA provides retail and wholesale water service to over 8,000 retail and wholesale customers. The WTCPUA also provides wastewater service to approximately 1,200 customers.

The WTCPUA purchased portions of the LCRA’s WTC System pursuant to an Installment Purchase Agreement. The WTCPUA is authorized to provide water and wastewater services, as applicable, within the WTC System area. WTCPUA began providing water service to the District in March 2012.

100-year Flood Plain

According to U.S.G.S. topographic maps and Federal Insurance Administration (“FIA”) maps, the District is relatively rolling terrain with elevations ranging from 1060 to 1200 feet above mean sea level. The land within the District slopes generally from 0% to 40%. Approximately 7.44 acres of the District lie within the FEMA 100-year flood plain. This acreage has been planned as open space and will not be used for development.

Future Debt

After the issuance of the Bonds, \$15,440,000 Unlimited Tax Bonds will remain authorized but unissued. To date, following issuance of the Bonds, there may be an estimated \$724,735 owed to the Developers on current development. In the opinion of the District’s Engineer, the \$15,440,000 authorized but unissued bonds should be sufficient to fully reimburse and provide utility service to the remaining undeveloped but potentially developable acreage.

Water and Wastewater Operations

The WTCPUA establishes rates and fees for water service, subject to change from time to time. The following schedule sets forth the current WTCPUA (290/HPR District) rates and fees for the District’s water service amended October 1, 2016.

Water (Monthly Billing)

Base Rate 5/8” Meter.....	\$41.97
Base Rate 3/4” Meter.....	\$54.22
Base Fee 1”	\$97.13
Base Fee 1 1/2”.....	\$154.43
Base Fee 2”	\$255.54
Base Fee 3”	\$338.11
Base Fee 4”	\$499.14
Base Fee 6”	\$1,645.80
Base Fee 8”	\$2,633.28
Base Fee 12”	\$3,385.34

Volumetric Rate

(Residential, Small Commercial, Irrigation & Fire Hydrant)

0 to 10,000	\$5.20 per 1,000 gallons
10,001 to 20,000.....	\$6.50 per 1,000 gallons
20,001 to 25,000.....	\$9.75 per 1,000 gallons
25,001 to 50,000	\$14.63 per 1,000 gallons
50,001 to 80,000.....	\$16.82 per 1,000 gallons
80,001 and above.....	\$19.35 per 1,000 gallons

Volumetric Charge – Commercial

Tier 1.....	\$4.25 per 1,000 gallons
Tier 2.....	\$8.10 per 1,000 gallons
Tier 1: 1" 0 – 55,000 Gallon; 1 ½" 0 – 75,000 Gallons; 2" and Greater 0 – 100,000 Gallons	
Tier 2: 1" > 55,001 Gallon, 1 ½" > 75,0001 Gallons, 2" > 100,0001 Gallons	

Volumetric Charge – Apartment and Multi-Unit Residential

All Tiers.....	\$7.50 per 1,000 gallons
----------------	--------------------------

Wastewater (Monthly Billing)

The Board of Directors establishes rates and fees for sewer service, subject to change from time to time. The following schedule sets forth the rates and fees for the District’s sewer service, which has been in effect since June 4, 2015.

Single Family	
Base Rate (includes 2,000 gallons)	\$25.00
Per 1,000 gallons of winter average water usage (for 2,001 gallons & over)	\$2.90 per 1,000 gallons

[The rest of this page intentionally left blank.]

Wastewater Operating Statement

The following statement sets forth in condensed form the historical operations of the District's water and sewer system. Such summary has been prepared upon information obtained from the District's audited financial statements and records. Reference is made to such statements for further and more complete information. Water operations are provided through a contract with WTCPUA. See "APPENDIX A – District Audited Financial Statement".

	<u>02/28/18 (a)</u>	<u>09/30/17(b)</u>	<u>09/30/16 (b)</u>	<u>09/30/15 (b)</u>	<u>09/30/14 (b)</u>
Fiscal Year End					
REVENUE					
Wastewater Service	\$32,569	\$109,054	\$93,244	\$98,724	\$98,021
Tap Connection/Inspection Fees	0	1,290	1,080	1,350	1,738
Property Taxes including					
Penalties and Interest	465,614	332,515	347,665	256,895	149,249
Sales Tax	7,294				
Miscellaneous	<u>2,795</u>	<u>17,961</u>	<u>18,104</u>	<u>15,267</u>	<u>14,749</u>
TOTAL REVENUES	<u>\$508,272</u>	<u>\$460,820</u>	<u>\$460,093</u>	<u>\$372,236</u>	<u>\$263,757</u>
EXPENDITURES					
Service Operations:					
Management Services	\$ 20,750	\$ 49,800	\$ 49,800	\$51,220	\$39,293
Engineering Fees	3,538	31,367	5,018	13,478	12,838
Audit Fees	13,000	12,500	12,000	12,000	11,500
Repairs & Maintenance	58,945	194,098	177,886	280,064	133,522
Legal Fees	8,504	19,386	17,639	21,202	22,754
Insurance	0	10,106	9,748	9,102	8,866
Tap Inspection Fees	0	0	0	0	2,469
Utilities	5,675	20,096	18,454	18,306	17,537
Directors' Fees	450	2,530	2,261	4,360	1,639
Wastewater Service Fees	9,461	16,676	15,601	12,023	14,426
Financial Advisor Fees	0	2,500	2,500	2,500	2,500
Tax Collector/Appraisal Fees	827	2,445	2,672	2,059	1,593
Garbage Services	110	264	258	240	251
Recurring Operating	9,680	2,516	2,844	3,754	21,699
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>19,015</u>
TOTAL EXPENDITURES	<u>\$130,940</u>	<u>\$364,284</u>	<u>\$316,681</u>	<u>\$430,308</u>	<u>\$309,902</u>
EXCESS (DEFICIT) OF REV & OTHER SOURCES OVER (UNDER) EXPEND.	\$377,332	\$96,536	\$143,412	(\$58,072)	(\$46,145)
FUND BALANCE (DEFICIT):					
Beginning of Year	\$362,048	<u>\$265,512</u>	<u>\$122,100</u>	<u>\$180,172</u>	<u>\$226,317</u>
End of Year		<u>\$362,048</u>	<u>\$265,512</u>	<u>\$122,100</u>	<u>\$180,172</u>

(a) Represents the period from October 1, 2017 through February 28, 2018 unaudited.
(b) Audited

FINAL DEBT SERVICE REQUIREMENTS
HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
\$5,250,000
Unlimited Tax Bonds, Series 2018

Issue Dated: April 1, 2018
First Interest Payment Due: September 1, 2018

Year Ending 12/31	Outstanding Bonds		Total	Series 2018		Total	Principal & Interest	Total Debt Service Requirement
	Principal	Interest		Principal (Due 09/01)	Interest (Due 09/01)			
2017								
2018	210,000	185,194	395,194		77,099	77,099	77,099	472,293
2019	220,000	179,376	399,376	160,000	92,519	185,038	345,038	744,413
2020	235,000	173,310	408,310	165,000	89,319	178,638	343,638	751,948
2021	240,000	166,834	406,834	175,000	86,019	172,038	347,038	753,872
2022	250,000	159,971	409,971	185,000	82,519	165,038	350,038	760,009
2023	265,000	152,572	417,572	195,000	78,819	157,638	352,638	770,209
2024	275,000	144,487	419,487	200,000	73,944	147,888	347,888	767,374
2025	295,000	135,974	430,974	215,000	69,944	139,888	354,888	785,861
2026	305,000	126,630	431,630	225,000	64,569	129,138	354,138	785,768
2027	320,000	116,771	436,771	235,000	61,194	122,388	357,388	794,158
2028	330,000	106,162	436,162	245,000	57,669	115,338	360,338	796,500
2029	350,000	95,199	445,199	260,000	53,994	107,988	367,988	813,186
2030	145,000	83,000	228,000	270,000	50,094	100,188	370,188	598,188
2031	155,000	75,750	230,750	285,000	45,875	91,750	376,750	607,500
2032	165,000	68,000	233,000	300,000	41,422	82,844	382,844	615,844
2033	175,000	59,750	234,750	315,000	36,547	73,094	388,094	622,844
2034	180,000	51,000	231,000	330,000	31,428	62,856	392,856	623,856
2035	195,000	42,000	237,000	345,000	25,859	51,719	396,719	633,719
2036	205,000	32,250	237,250	365,000	20,038	40,075	405,075	642,325
2037	215,000	22,000	237,000	380,000	13,650	27,300	407,300	644,300
2038	225,000	11,250	236,250	400,000	7,000	14,000	414,000	650,250
	<u>\$4,955,000</u>	<u>\$2,187,479</u>	<u>\$7,142,479</u>	<u>\$5,250,000</u>	<u>\$1,082,419</u>	<u>\$2,241,937</u>	<u>\$7,491,937</u>	<u>\$14,634,415</u>

FINANCIAL STATEMENT
(Unaudited as of February 28, 2018)

Assessed Value

2017 Assessed Valuation (100% of estimated market value) as of January 1, 2017	\$105,430,599 (a)
Gross Debt Outstanding.....	\$10,205,000 (b)
Debt Service Fund Balance.....	\$844,078 (c)
Ratio of Gross Debt to 2017 Assessed Valuation as of January 1, 2017	9.68%

Estimated as of January 2018 Population: 798 (d)

- (a) Certified Taxable Assessed Value within the District on January 1, 2017 as provided by the Hays Central Appraisal District ("HCAD"). See "TAXING PROCEDURES"
- (b) After issuance of the Bonds. See "DEBT SERVICE REQUIREMENTS".
- (c) Included in the sale of Bonds is \$190,129.38 in capitalized interest which will be deposited to the Interest and Sinking Fund upon closing. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Interest and Sinking Fund.
- (d) Based on 3.5 residents per active single-family connection.

Unlimited Tax Bonds Authorized but Unissued

<u>Date</u> <u>Authorization</u>	<u>Purpose</u>	<u>Authorized</u>	<u>Issued</u> <u>to Date</u>	<u>Unissued</u>
02/05/05	Water, WW, Drainage	<u>\$26,280,000</u>	<u>\$ 10,840,000</u> (a)	<u>\$15,440,000</u>
Total		\$26,280,000	\$ 10,840,000 (a)	\$15,440,000

- (a) Including the Bonds.

Refunding Bonds Authorized but Unissued

<u>Date</u> <u>Authorization</u>	<u>Purpose</u>	<u>Authorized</u>	<u>Issued</u> <u>to Date</u>	<u>Issued from Rfdg.</u> <u>Authorization</u>	<u>Unissued</u>
02/05/05	Water, WW, Drainage	\$26,280,000	\$2,245,000	\$215,000	\$26,065,000

Outstanding Bonds

A.	<u>Dated</u> <u>Date</u>	<u>Series</u>	<u>Purpose</u>	<u>Original</u> <u>Principal</u> <u>Amount</u>	<u>Principal</u> <u>Amount</u> <u>04/10/18</u>
	01/01/2013	2013	Water, WW, Drainage	\$3,000,000	\$2,925,000
	02/05/2015	2015 (a)	Refunding	\$2,245,000	\$2,030,000
	04/01/2018	2018	Water, WW, Drainage	<u>5,250,000</u> (b)	<u>\$5,250,000</u> (b)
				\$10,495,000	\$10,205,000

- (a) Refunded the 2010 Bonds.
- (b) The Bonds.

Cash and Investment Balances (Unaudited as of February 28, 2018)

Operating Fund	\$572,525
Debt Service Fund	\$844,078 (a)
Capital Projects Fund	\$ 97,218

(a) Included in the sale of Bonds is \$190,129.38 in capitalized interest which will be deposited to the Interest and Sinking Fund upon closing. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Interest and Sinking Fund.

Investment Authority and Investment Practices of the District

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation ("FDIC") and secured by collateral authorized by the Act, and in TexPool and Texas Class, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term Bonds or derivative products in the portfolio.

Current Investments

Currently excess funds are invested in TexPool. This investment portfolio is generally representative of the District's investment practices although the District has in the past or may in the future also invest in authorized Government Securities. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements. The District currently marks its investments to market price monthly.

[The rest of this page intentionally left blank.]

Estimated Overlapping Debt Statement

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

<u>Taxing Body</u>	<u>Net Debt</u>		<u>% of Overlpg. Net Debt</u>	<u>Amount of Overlpg. Net Debt</u>
	<u>Amount</u>	<u>As of</u>		
Hays County	\$424,980,000	02/28/18	0.56%	\$2,379,888
Dripping Springs ISD	\$180,134,999	02/28/18	2.59%	<u>\$4,665,496</u>
TOTAL ESTIMATED OVERLAPPING NET DEBT				\$7,045,304
The District (a)		04/01/18	100.00%	<u>\$10,205,000</u>
TOTAL ESTIMATED DIRECT AND OVERLAPPING NET DEBT				<u>\$17,250,304</u>
Ratio of Direct & Overlapping Net Debt to 2017 Assessed Valuation as of January 1, 2017				16.36%

(a) After issuance of the Bonds.

Overlapping Taxes for 2017

<u>Overlapping Entity</u>	<u>2017 Tax Rate Per \$100 Assessed Valuation</u>	<u>Average Tax Bill (a)</u>
Hays County	\$0.4012	\$1,429
Dripping Springs Independent School District	1.5200	5,415
North Hays County ESD No. 1	0.0300	107
Hays County ESD No. 6	0.0787	280
Special Road District	0.0438	156
The District	<u>0.8470</u>	<u>3,017</u>
Total	<u>\$2.9207</u>	<u>\$10,404</u>

(a) Based upon the 2017 average single-family home value of \$356,224.

TAX DATA

Classification of Assessed Valuation (a)

Type Property	2017		2016	
	Amount	%	Amount	%
Real, Res. Single-Family	\$81,427,230	75.62	\$74,893,940	83.83
Real, Vacant Lots	2,213,870	2.06	3,136,070	3.51
Real, Acreage (Land Only)	1,065,730	0.99	1,065,730	1.19
Real, Farm/Ranch Improv.	1,037,430	0.96	1,208,760	1.36
Real, Commercial & Indus.	20,712,940	19.24	7,987,790	8.94
Tangible Personal, Business	1,058,033	0.98	1,045,290	1.17
Real, Inventory	<u>158,220</u>	<u>0.15</u>	<u>0</u>	<u>0.00</u>
Total	<u>\$107,673,453</u>	<u>100.00%</u>	<u>\$89,337,580</u>	<u>100.00%</u>

(a) Reflects classification of assessed valuation as supplied by the Hays Central Appraisal District ("HCAD") prior to adjustments or exemptions. Such value may differ from the original certified assessed valuation, and any supplements or adjustments thereto, as supplied by HCAD.

Tax Collections

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

	Assessed Valuation	Tax Rate	Tax Levy	Current		Total		Year Ending
				Amount	%	Amount	%	
2012	\$ 37,012,696	0.850	314,608	312,120	99.21	314,608	100.00	09/30/13
2013	49,646,700	0.850	421,997	421,997	100.00	421,997	100.00	09/30/14
2014	69,849,623	0.850	593,722	593,482	99.96	593,722	100.00	09/30/15
2015	79,282,888	0.850	673,905	673,905	100.00	673,905	100.00	09/30/16
2016	87,522,441	0.850	743,941	743,941	100.00	743,941	100.00	09/30/17
2017	105,430,599	0.847	892,997	846,382	94.78			09/30/18(a)

(a) The 2017 tax collections through February 28, 2018. Tax bills go out on October 1 and are due by January 31 of the following year.

District Tax Rates

Tax Rate Per \$100 A.V.	2017	2016	2015	2014	2013	2012
Debt Service	\$0.3826	\$0.4708	\$0.4226	\$0.50	\$0.57	\$0.28
Maintenance	<u>0.4644</u>	<u>0.3792</u>	<u>0.4274</u>	<u>0.35</u>	<u>0.28</u>	<u>0.57</u>
Total	\$0.8470	\$0.8500	\$0.8500	\$0.85	\$0.85	\$0.85

Tax Rate Limitation

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

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes, which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds, the Bonds, and any tax bonds which may be issued in the future. On February 5, 2005 a \$0.50 maintenance tax was authorized by the voters. At an election held within the District on May 12, 2007, voters of the District authorized the levy of a \$1.50 maximum for maintenance tax. As shown above under "District Tax Rates," the District levied a maintenance and operations tax of \$0.4644 per \$100 assessed valuation for tax year 2017 and a \$0.3792 per \$100 assessed valuation for maintenance and operation for tax year 2016.

Top Ten Taxpayers

The following list of principal taxpayers was provided by Hays Central Appraisal District based on the 2017 and 2016 tax rolls of the District, which reflect ownership as of January 1, of each year shown.

Taxpayer	Type of Property	2017	2016
Ledgestone Property LLC	Senior Living Facility	\$15,614,330	\$2,889,180
NOFALIA Inc.	Trudy's Restaurant	3,595,040	3,595,040
Anthem at Ledge Stone Apartment Homes LLC	Land for Apt. Complex	1,190,280	1,190,280
194 Bush Ltd.	Land Owner	1,170,604	1,651,124
290 East Bush Inc.	Land, Vacant Lots	996,400	1,382,710
Trudy's Four Star	Restaurant/Inventory	812,067	812,067
Ledgestone Properties LP	CMA Eng. Offices	575,120	575,120
Trepex Construction LLC	Office Space	511,290	502,790
Individual	Residence	471,170	443,350
Individual	Residence	464,330	(a)
Individual	Residence	<u>(a)</u>	<u>424,970</u>
Total		<u>\$25,400,631</u>	<u>\$13,466,631</u>
Percent of Assessed Valuation		24.10%	15.39%

(a) Not a top ten taxpayer for respective year.

Tax Adequacy for Debt Service

The calculations shown below are solely for purposes of illustration only and are based on the certified assessed value for 2017 as of January 1, 2017 and utilize tax rates adequate to service the District's total projected debt service requirements, including the Bonds. No available debt service funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments - Impact on District Tax Rates."

Projected Average Annual Debt Service Requirements including the Bonds (2019 through 2029)	\$774,845
\$0.78 Tax Rate on 2017 Assessed Valuation as of January 1, 2017 of \$105,430,599 @ 95% collections will produce	\$781,241
Projected Maximum Annual Debt Service Requirements including the Bonds (2029)	\$813,186
\$0.82 Tax Rate on 2017 Assessed Valuation as of January 1, 2017 of \$105,430,599 @ 95% collections will produce	\$821,304

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the outstanding bonds and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS - Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS - Source of and Security for Payment." Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by its voters. The District's electors have authorized a levy of such maintenance tax in the amount of \$1.50 per \$100 of assessed valuation. See "TAX DATA - Tax Rate Limitation".

Property Tax Code and District-Wide Appraisal District

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

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

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the Appraisal District to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; income producing tangible personal property or mineral interest with a taxable value of less than \$500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain household goods, wares and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development organizations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles.

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, effective January 1, 2018, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, effective January 1, 2018, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions,

entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the spouse. See "TAX DATA."

Also exempt, if approved by the Board or through a process of petition and referendum by the District's voters, are residential homesteads of person sixty-five (65) years or older and of certain disabled persons to the extent of \$3,000 of appraised value or more. The District's tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty (20%) percent of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year but must be adopted by May 1. The District has never adopted a general homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions

A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has not taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement: Hays County may designate all or a part of the area within the District as a reinvestment zone. Thereafter, Hays County the City of Dripping Springs (if were to annex the District) and the District may enter into tax abatement agreements with owners of real property within such zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction for a period of up to ten years, all or any part of the increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvement or repairs to the property in conformity with a comprehensive plan. To date, none of the area within the District has been designated as a reinvestment zone and the District has not executed any abatement agreements.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the HCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and formally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code, as of January 1 of each year, subject to review and approval by the Appraisal Review Board. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited to 10 percent annually regardless of the market value of the property. Houses or lots held for sale by a developer or builder which remain

unoccupied, are not leased or rented and produce no income are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business. Valuation of lots or houses at inventory level in future years could reduce the assessed value of such property within the District. The Property Tax Code also requires the Chief Appraiser to reduce the market value of any property by the estimated cost of any remedial action by a property owner to correct, mitigate or prevent pollution.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price that such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation, and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. In either case, if the use of land changes, an additional tax is imposed on the land equal to the difference between the taxes imposed on the land for each of the five (5) years preceding the year in which the change of use occurs and the tax that would have been imposed had the land been taxed on the basis of market value in each of those years, plus interest at an annual rate of seven percent (7%) calculated from the dates on which the differences would have become due. There are also special appraisal methods for agricultural land owned by individuals whose primary occupation and income are farming and for recreational, park, and scenic land.

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

District and Taxpayer Remedies

The chief appraiser must give written notice before the Appraisal Review Board meeting to each owner if a reappraisal has resulted in an increase in value over the prior year or the value rendered by the owner, or if property not previously included on the appraisal roll has been appraised. Any owner who has timely filed notice with the Appraisal Review Board may appeal the final determination by the Appraisal Review Board of the owner's protest by filing suit in Texas district court. Prior to such appeal, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater or the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. The District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisal of a certain category of property, the exclusion of property from the appraisal records, the grant in whole or in part of a partial exemption, or a determination that land qualifies for special-use appraisal (agricultural or timber classification, for example). The District may not, however, protest a valuation of individual property.

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer the collection functions to another governmental entity. Each year the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1. Taxes are due when billed and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been

delinquent. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. In addition, if the District engages an attorney for the collection of delinquent taxes, the Board may impose a further penalty not to exceed 20% on all taxes, penalty and interest unpaid on July 1. The Property Tax Code also makes provision for the split payment of taxes, installment payments for certain qualifying individuals, discounts for early payment and the postponement of the delinquency date of taxes and the waiver of penalty and interest under certain circumstances.

Rollback of Operation and Maintenance Tax Rate

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate if the total District tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the District's current year's debt service and contract tax rates plus 1.08 times the District's previous year's operation and maintenance tax rate.

District's Rights In The Event Of Tax Delinquencies

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

Except with respect to (i) owners of residential homestead property who are (i) sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement,

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceeding which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS - General - Tax Collection and Foreclosure Remedies."

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District and based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds; the legal opinion of Bond Counsel, to a like effect, and to the effect that interest on the Bonds is excludable from gross income of the holders for federal tax purposes under existing law, and the Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Bonds will not be subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustments for corporations

Bond Counsel has reviewed the information appearing in this Official Statement under the caption "THE DISTRICT - General," "THE BONDS," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS", and "CONTINUING DISCLOSURE OF INFORMATION," solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District or the developers for the purpose of passing upon the accuracy or completeness

of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

No Material Adverse Change

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

The rating of the Insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Initial Purchaser of its obligations to take up and pay for the Bonds.

No-Litigation Certificate

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

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe, LLP, Bond Counsel (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of Initial Purchasers, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The District expects to designate the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended. Pursuant to that section of the Code, a qualifying financial institution will be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated "bank-qualified" investments.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB") pursuant to its Electronic Municipal Market Access System ("EMMA"). This information will be available to securities brokers and others through the MSRB at www.emma.mrsb.org.

Annual Reports

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

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

The District's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31, in each year commencing in 2019 unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in not in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. Neither the Bonds nor the Bond Order make any provision for debt service reserves, credit enhancement, or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." For the purposes of the even numbered (12) in the preceding paragraph the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer of the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction as been assumed by leaving the existing governing bodies and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business or the District.

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through the EMMA internet portal at www.emma.msrb.org.

Compliance with Prior Undertakings

This is the District's fourth issuance of Bonds. The District has substantially complied with all continuing disclosure agreements made by it pursuant to SEC Rule 15c2-12.

FINANCIAL ADVISOR

The Official Statement was compiled and edited under the supervision of SAMCO Capital Markets, Inc. (the "Financial Advisor"), which firm was employed in 2003 as Financial Advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

OFFICIAL STATEMENT

Preparation

The information in this Official Statement was compiled and edited by the Financial Advisor. In addition to compiling and editing such information, the Financial Advisor has obtained the information set forth herein under the captions indicated from the following sources:

"THE DISTRICT"; CMA Engineering, Inc. ("Engineer"), Dripping Springs Independent School District, and 290 East Bush Inc., ("Developers"); "DEVELOPERS/LANDOWNERS" – the Developers; "THE SYSTEM" – Engineer; "FINANCIAL STATEMENT" – Records of the District ("Records") and Hays Central Appraisal District; "ESTIMATED OVERLAPPING DEBT STATEMENT" – Municipal Advisory Council of Texas; "TAX DATA" and "THE SYSTEM" – Audits, Records and Tax Assessor/Collector; "THE DISTRICT" – Management of the District – District Directors; "THE BONDS," "CONTINUING DISCLOSURE OF INFORMATION" (except for the subsection "Compliance with Prior Undertakings"); "TAXING PROCEDURES," "LEGAL MATTERS," and "TAX MATTERS" – Orrick, Herrington & Sutcliffe, LLP; "EXTRATERRITORIAL JURISDICTION AND ANNEXATION" – the General Counsel – McGinnis Lochridge & Kilgore L.L.P.

Experts

In approving this Official Statement, the District has relied upon the following experts in addition to the Financial Advisor.

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

Appraisal District: The information contained in the Official Statement relating to the certified assessed valuation of property in the District and, in particular such information contained in the sections captioned "FINANCIAL STATEMENT" and "TAX DATA" has been provided by the Hays Central Appraisal District, in reliance upon the authority as experts in appraising and tax assessing.

Tax Assessor/Collector: The information contained in this Official Statement relating to principal tax payers and tax collection rates has been provided by Ms. Luanne Caraway in reliance upon her authority as an expert in the field of tax assessing and collecting.

Auditor: The information contained in Appendix A in this official Statement has been provided by Maxwell Locke and Ritter LLP, the District's current auditor.

Updating the Official Statement During Underwriting Period

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to Rule 15c2-12 of the federal Bonds Exchange Act of 1934 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described below. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice to the District that less than all the Bonds have been sold to ultimate customers on or before such date, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

Certification as to Official Statement

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

/s/ Brent Hammond
President, Board of Directors
Hays County Municipal Utility District No. 4

/s/ Brian Hardin
Secretary, Board of Directors
Hays County Municipal Utility District No. 4

PHOTOGRAPHS

The following photographs were taken in the District in February 2018. The homes shown in the photographs are representative of the type of construction presently located within the District, and these photographs are presented solely to illustrate such construction. The District makes no representation that any additional construction such as that as illustrated in the following photographs will occur in the District. See "THE DISTRICT."

(this page intentionally left blank)



















(this page intentionally left blank)

APPENDIX A
District Audited Financial Statements

The information contained in this appendix has been excerpted from the audited financial statements of Hays County Municipal Utility District No. 4 for the fiscal year ended September 30, 2017. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

(this page intentionally left blank)

**HAYS COUNTY
MUNICIPAL UTILITY DISTRICT
NO. 4**

**Financial Statements and
Supplemental Information for the
Year Ended September 30, 2017
and Independent Auditors' Report**

MAXWELL
& LOCKE
RITTER

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

TABLE OF CONTENTS

	<u>Page</u>
ANNUAL FILING AFFIDAVIT	1
INDEPENDENT AUDITORS' REPORT	2-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-9
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position and Governmental Funds Balance Sheet	10
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances	11
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	12
Notes to Basic Financial Statements	13-22
SUPPLEMENTAL INFORMATION REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY:	
Index of Supplemental Schedules Required by Texas Commission on Environmental Quality	23
Supplemental Schedules Required by Texas Commission on Environmental Quality	24-35
OTHER SUPPLEMENTAL INFORMATION:	
Principal Taxpayers	36
Assessed Value by Classification	37

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS

COUNTY OF HAYS

I, Brent Hammond of the
(Name of Duly Authorized District Representative)

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

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 30th day of January, 2018, its audit report for the year ended September 30, 2017, and that copies of the audit report have been filed in the District's office, located at c/o McGinnis Lochridge & Kilgore LLP., 600 Congress Ave, Ste 2100, Austin, Texas 78701-3798.

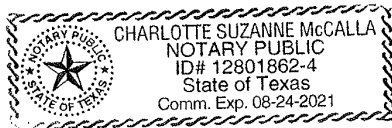
The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code and to the Texas Comptroller of Public Accounts in satisfaction of the annual filing requirements of Section 140.008 of the Texas Local Government Code.

Date: 1/30, 2018.

By: [Signature]
(Signature of District Representative)

Brent Hammond, Board President
(Typed Name and Title of above District Representative)

Sworn to and subscribed to before me this 30th day of January, 2018.



(SEAL)

Charlotte Suzanne McCalla
(Signature of Notary)

Charlotte Suzanne McCalla
(Printed Name of Notary)

My Commission Expires On: 8/24/21
Notary Public in and for the State of Texas.



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

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

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Hays County Municipal Utility District No. 4:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Hays County Municipal Utility District No. 4 (the "District"), as of and for the year ended September 30, 2017, 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, 2017, and the respective changes in financial position, and the respective budgetary comparison for the General Fund 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 on pages 5 through 9 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 Commission on Environmental Quality (the "TCEQ") and the 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 TCEQ 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 TCEQ 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 30, 2018

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

Management’s Discussion and Analysis For the Year Ended September 30, 2017

In accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 34, the management of Hays County Municipal Utility District No. 4 (the “District”) offers the following narrative on the financial performance of the District for the year ended September 30, 2017. Please read it in connection with the District’s financial statements that follow.

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 Basic Financial Statements

The District’s reporting is comprised of two parts:

- *Management’s Discussion and Analysis* (this section)
- *Basic Financial Statements*
 - *Statement of Net Position and Governmental Funds Balance Sheet*
 - *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances*
 - *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund*
 - *Notes to Basic Financial Statements*

Other supplementary information is also included.

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 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 *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund* presents a comparison statement between the District’s adopted budget to its actual results.

The *Notes to 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*.

Schedules required by the Texas Commission on Environmental Quality and other supplementary information are presented immediately following the *Notes to Basic Financial Statements*.

Comparative Financial Statements

Statement of Net Position

	Governmental Activities		
	2017	2016	% Change
Current assets	\$ 922,649	\$ 801,602	15%
Capital assets	3,560,619	3,664,241	(3%)
Total assets	\$ 4,483,268	\$ 4,465,843	<1%
Deferred outflows of resources	\$ 125,355	\$ 135,801	(8%)
Current liabilities	\$ 292,854	\$ 280,907	4%
Long-term liabilities	4,860,036	5,070,036	(4%)
Total liabilities	\$ 5,152,890	\$ 5,350,943	(4%)
Net investment in capital assets	\$ (1,171,802)	\$ (1,262,625)	7%
Restricted	380,523	362,850	5%
Unrestricted	247,012	150,476	64%
Total net position	\$ (544,267)	\$ (749,299)	27%

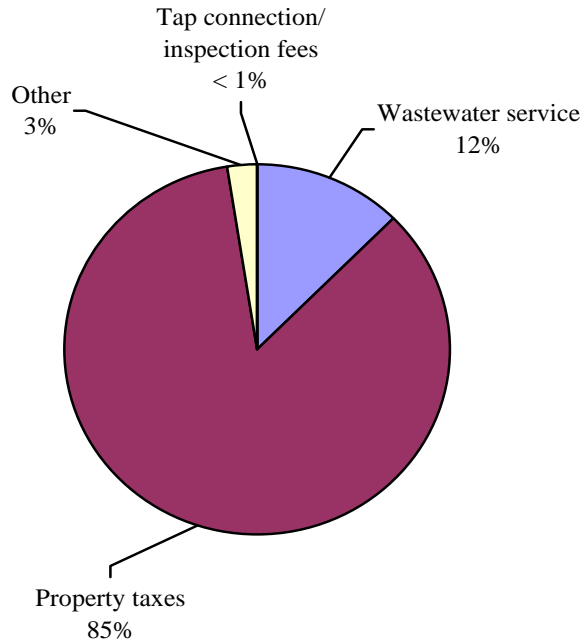
The District's total assets were approximately \$4.5 million as of September 30, 2017. Of this amount, approximately \$3.6 million is included in capital assets. The District had outstanding liabilities of approximately \$5.2 million as of September 30, 2017. Of this amount, approximately \$115,000 is payable to the developer and \$5.0 million is included in bonds payable.

Statement of Activities

	Governmental Activities		
	2017	2016	% Change
Wastewater service	\$ 109,054	\$ 93,244	17%
Tap connection/inspection fees	1,290	1,080	19%
Property taxes, including penalties and interest	745,353	675,051	10%
Miscellaneous	22,374	18,457	21%
Total revenue	878,071	787,832	11%
Repairs and maintenance	194,098	177,886	9%
Management services	49,800	49,800	-
Legal fees	19,386	17,639	10%
Utilities	20,096	18,454	9%
Wastewater service fees	16,676	15,601	7%
Engineering fees	31,367	5,018	525%
Audit fees	12,500	12,000	4%
Insurance	10,106	9,748	4%
Financial advisor fees	2,500	2,500	-
Directors' fees	2,530	2,261	12%
Tax assessor/collector fees	5,430	5,274	3%
Garbage services	264	258	2%
Recurring operating	2,935	3,637	(19%)
Interest and fiscal agent fees	201,729	207,320	(3%)
Depreciation	103,622	103,622	-
Total expenses	673,039	631,018	7%
Change in net position	205,032	156,814	31%
Beginning net position	(749,299)	(906,113)	17%
Ending net position	<u>\$ (544,267)</u>	<u>\$ (749,299)</u>	<u>27%</u>

Revenues were approximately \$878,000 for the fiscal year ended September 30, 2017, which is an 11% increase from the prior year. Property taxes provided approximately \$745,000 and wastewater service provided approximately \$109,000. Total expenses increased approximately \$42,000 to approximately \$673,000 for the fiscal year ended September 30, 2017, of which approximately \$194,000 was related to repairs and maintenance and \$202,000 related to interest and fiscal agent fees. Net position increased approximately \$205,000 for the fiscal year ended September 30, 2017.

Sources of Revenue



Analysis of Governmental Funds

	2017	2016
Cash	\$ 175,492	\$ 211,225
Temporary investments	661,318	575,090
Receivables	33,844	15,287
Prepays	51,995	-
Interfund receivable	51,995	738
Total assets	\$ 974,644	\$ 802,340
Accounts payable	\$ 42,351	\$ 38,333
Deposits	25,070	21,670
Interfund payable	51,995	738
Total liabilities	119,416	60,741
Restricted fund balance	493,180	476,087
Unassigned fund balance	362,048	265,512
Total fund balances	855,228	741,599
Total liabilities, deferred inflows of resources, and fund balances	\$ 974,644	\$ 802,340

The *General Fund* pays for daily operating expenditures. When comparing actual to budget, actual revenues were more than final budget by approximately \$20,000 due to additional property tax revenue collected. Actual expenditures were less than final budget by approximately \$17,000 due to lower than expected repairs and maintenance expenditures offset by higher than expected engineering fees. More detailed information about the District's budgetary comparison is presented in the *Basic Financial Statements*.

The *Debt Service Fund* remitted bond principal of \$205,000 and interest and fiscal agent fees of \$191,754. More detailed information about the District's debt is presented in the *Notes to Basic Financial Statements*.

The *Capital Projects Fund* purchases the District's infrastructure.

Capital Assets

	2017	2016
Water and wastewater facilities	\$ 4,144,875	\$ 4,144,875
Accumulated depreciation	(584,256)	(480,634)
Total	\$ 3,560,619	\$ 3,664,241

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

Long-Term Debt Activity

	2017	2016
Series 2013 Bonds	\$ 2,925,000	\$ 3,000,000
Series 2015 Bonds	2,030,000	2,160,000
Developer advances	115,036	115,036
Total	\$ 5,070,036	\$ 5,275,036

At September 30, 2017, the District owed \$115,036 to the developer for advances used to fund operating activities. At September 30, 2017, unlimited tax bonds of \$20,690,000 were authorized by the District, but unissued.

Currently Known Facts, Decisions, or Conditions

For fiscal year 2018, which is tax year 2017, the tax rate has been set at \$0.4644 per \$100 of assessed valuation for maintenance and operating expenditures and \$0.3826 per \$100 of assessed valuation for payment of principal and interest associated with outstanding bonds. Compared to the 2017 budget, the adopted budget for 2018 projects an increase of \$133,438 to the fund balance for the General Fund. When compared to the 2017 budget, revenues are expected to increase by approximately \$160,000 and expenditures are expected to increase by approximately \$85,000.

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District c/o McGinnis, Lochridge & Kilgore LLP, 600 Congress Ave, Ste 2100, Austin, Texas 78701-3798.

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET SEPTEMBER 30, 2017

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	GOVERNMENTAL FUNDS TOTAL	ADJUSTMENTS (NOTE 2)	STATEMENT OF NET POSITION
<u>ASSETS</u>						
Cash	\$ 78,268	-	97,224	175,492	-	175,492
Temporary investments	265,292	396,026	-	661,318	-	661,318
Receivables-						
Service	10,306	-	-	10,306	-	10,306
Prepays	-	-	51,995	51,995	-	51,995
Due from other funds	51,995	-	-	51,995	(51,995)	-
Due from other government	23,538	-	-	23,538	-	23,538
Capital assets (net of accumulated depreciation)-						
Water and wastewater facilities	-	-	-	-	3,560,619	3,560,619
Total assets	<u>\$ 429,399</u>	<u>396,026</u>	<u>149,219</u>	<u>974,644</u>	<u>3,508,624</u>	<u>4,483,268</u>
<u>DEFERRED OUTFLOWS OF RESOURCES-</u>						
Deferred charges on bond refundings	-	-	-	-	125,355	125,355
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,355</u>	<u>125,355</u>
Total assets and deferred outflows of resources	<u>\$ 429,399</u>	<u>396,026</u>	<u>149,219</u>	<u>974,644</u>		
<u>LIABILITIES</u>						
Accounts payable	\$ 42,281	70	-	42,351	-	42,351
Customer deposits	7,650	-	-	7,650	-	7,650
Builder deposit	17,420	-	-	17,420	-	17,420
Due to other funds	-	-	51,995	51,995	(51,995)	-
Bond interest payable	-	-	-	-	15,433	15,433
Long-term liabilities:						
Due within one year	-	-	-	-	210,000	210,000
Due after one year	-	-	-	-	4,745,000	4,745,000
Developer advances	-	-	-	-	115,036	115,036
Total liabilities	<u>67,351</u>	<u>70</u>	<u>51,995</u>	<u>119,416</u>	<u>5,033,474</u>	<u>5,152,890</u>
<u>FUND BALANCES/ NET POSITION</u>						
Fund balances:						
Restricted for:						
Debt service	-	395,956	-	395,956	(395,956)	-
Capital projects	-	-	97,224	97,224	(97,224)	-
Unassigned	362,048	-	-	362,048	(362,048)	-
Total fund balances	<u>362,048</u>	<u>395,956</u>	<u>97,224</u>	<u>855,228</u>	<u>(855,228)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 429,399</u>	<u>396,026</u>	<u>149,219</u>	<u>974,644</u>		
Net position:						
Net investment in capital assets					\$ (1,171,802)	(1,171,802)
Restricted for debt service					380,523	380,523
Unrestricted					247,012	247,012
Total net position					<u>\$ (544,267)</u>	<u>(544,267)</u>

The notes to the financial statements are an integral part of this statement.

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES YEAR ENDED SEPTEMBER 30, 2017

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	GOVERNMENTAL FUNDS TOTAL	ADJUSTMENTS (NOTE 2)	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES:						
Service operations:						
Repairs and maintenance	\$ 194,098	-	-	194,098	-	194,098
Management services	49,800	-	-	49,800	-	49,800
Legal fees	19,386	-	-	19,386	-	19,386
Utilities	20,096	-	-	20,096	-	20,096
Wastewater service fees	16,676	-	-	16,676	-	16,676
Engineering fees	31,367	-	-	31,367	-	31,367
Audit fees	12,500	-	-	12,500	-	12,500
Insurance	10,106	-	-	10,106	-	10,106
Financial advisor fees	2,500	-	-	2,500	-	2,500
Directors' fees	2,530	-	-	2,530	-	2,530
Tax assessor/collector fees	2,445	2,985	-	5,430	-	5,430
Garbage services	264	-	-	264	-	264
Recurring operating	2,516	250	169	2,935	-	2,935
Debt service:						
Principal	-	205,000	-	205,000	(205,000)	-
Interest and fiscal agent fees	-	191,754	-	191,754	9,975	201,729
Depreciation	-	-	-	-	103,622	103,622
Total expenditures/expenses	364,284	399,989	169	764,442	(91,403)	673,039
REVENUES:						
Program revenues:						
Wastewater service	109,054	-	-	109,054	-	109,054
Tap connection/inspection fees	1,290	-	-	1,290	-	1,290
Total program revenues	110,344	-	-	110,344	-	110,344
Net program expense						(562,695)
General revenues:						
Property taxes, including penalties and interest	332,515	412,838	-	745,353	-	745,353
Miscellaneous	17,961	4,353	60	22,374	-	22,374
Total general revenues	350,476	417,191	60	767,727	-	767,727
Total revenues	460,820	417,191	60	878,071	-	878,071
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	96,536	17,202	(109)	113,629	(113,629)	-
Change in net position	-	-	-	-	205,032	205,032
FUND BALANCES/NET POSITION:						
Beginning of year	265,512	378,754	97,333	741,599	(1,490,898)	(749,299)
End of year	\$ 362,048	395,956	97,224	855,228	(1,399,495)	(544,267)

The notes to the financial statements are an integral part of this statement.

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND YEAR ENDED SEPTEMBER 30, 2017

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:			
Wastewater service	\$ 107,608	109,054	1,446
Tap connection/inspection fees	-	1,290	1,290
Property taxes, including penalties and interest	315,784	332,515	16,731
Miscellaneous	17,000	17,961	961
Total revenues	440,392	460,820	20,428
EXPENDITURES:			
Service operations:			
Repairs and maintenance	224,112	194,098	30,014
Management services	50,000	49,800	200
Legal fees	25,000	19,386	5,614
Utilities	19,300	20,096	(796)
Wastewater service fees	17,600	16,676	924
Engineering fees	12,000	31,367	(19,367)
Audit fees	12,000	12,500	(500)
Insurance	10,000	10,106	(106)
Financial advisor fees	2,000	2,500	(500)
Directors' fees	3,300	2,530	770
Tax assessor/collector fees	2,750	2,445	305
Garbage services	260	264	(4)
Recurring operating	3,150	2,516	634
Total expenditures	381,472	364,284	17,188
EXCESS OF REVENUES OVER EXPENDITURES	58,920	96,536	37,616
FUND BALANCE:			
Beginning of year	265,512	265,512	-
End of year	\$ 324,432	362,048	37,616

The notes to the financial statements are an integral part of this statement.

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hays County Municipal Utility District No. 4 (the “District”) was created, organized and established on July 11, 2003 by the Texas Commission on Environmental Quality pursuant to Chapter 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 the Governmental Accounting Standards Board (“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.

Government-wide and Fund Financial Statements

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.

The government-wide financial statements report information on all of the activities of the District. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the expenses are offset by program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are 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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Major revenue sources considered susceptible to accrual include interest income. No accrual for property taxes to be collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

The District reports the following major governmental funds:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due.

The Capital Projects Fund is used to account for financial resources restricted for authorized construction and other capital asset acquisitions.

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device for the General Fund. The budget is proposed by the District Manager for the fiscal year commencing the following October 1, and is adopted on the modified accrual basis, which is consistent with generally accepted accounting principles.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Investments - Temporary investments throughout the year consisted of investments in an external local government investment pool. The external local government investment pool is recognized at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper, and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Government Code ("Public Fund Investments Act").

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

Capital Assets - Capital assets, which include water and wastewater facilities, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost, if purchased, or estimated acquisition value at the date of donation, if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight line method over the following estimated useful lives: water and wastewater facilities - ten to forty-five years.

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures in the period incurred.

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 uncollectibles are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Fund Equity - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 10 for additional information on those fund balance classifications.

Deferred Outflows and 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 6 for additional information on deferred outflows of resources.

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 observable 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.

Use of Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, 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.

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. 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, 2021.

2. 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 balance	\$ 855,228
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,560,619
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(4,955,000)
Less: Deferred charges on bond refundings	125,355
Bond interest payable	(15,433)
Developer advances	<u>(115,036)</u>
Total net position	<u>\$ (544,267)</u>

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

Excess of revenues, net over expenditures	\$ 113,629
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.	
Depreciation expense	(103,622)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Repayment of bond principal	205,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in bond interest payable	471
Amortization of deferred charges on bond refundings	<u>(10,446)</u>
Change in net position	<u>\$ 205,032</u>

3. CASH AND TEMPORARY INVESTMENTS

The District’s deposits are required to be secured in the manner provided by law for the security of the funds. At September 30, 2017, such deposits were entirely covered by Federal Deposit Insurance Corporation (“FDIC”) insurance or secured by collateral pledged by the depository.

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy. The District’s deposits and investments are invested pursuant to the investment policy, which is approved annually by the Board. The primary objectives of the District’s investment strategy, in order of priority, are safety, liquidity, and yield.

The District is entitled to invest in obligations of the United States, the State of Texas, and certificates of deposit of state or national banks domiciled in Texas that are insured by the FDIC. The District’s investment policy is in accordance with the Public Fund Investment Act. Authorized investments of the Public Funds Investments Act include obligation of, or guaranteed by, governmental entities, certificates of deposit, fully collateralized repurchase agreements, prime domestic bankers’ acceptances, commercial paper with a stated maturity of 270 days or less from the date of its issuance, no-load money market mutual funds regulated by the United States Securities and Exchange Commission, guaranteed investment contracts, and eligible public funds investment pools. The District’s management believes that it complied with the requirements of the Public Funds Investment Act and the District’s investment policies.

Temporary investments held at September 30, 2017 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor’s Rating
Public funds investment pool - TexPool	\$ 661,318	1	AAAm

At September 30, 2017, the District had investments in one external local governmental investment pool, Texas Local Governmental Investment Pool (“TexPool”). Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940. These investments are reported by the District at amortized cost under GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

TexPool is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. 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 manage daily operations of TexPool under a contract with the Comptroller and is the investment manager for the pool. TexPool’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

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

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 agencies are designed to give an indication of credit risk. At September 30, 2017, investments were included in an external local governmental investment pool with ratings from Standard and Poor's in compliance with the District's investment policy.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. government.

Interest Rate Risk - The District considers the holdings in the external local governmental investment pool to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. As of September 30, 2017, the District was not exposed to significant interest rate risk.

4. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." The composition of interfund balances as of September 30, 2017 was comprised of a \$51,995 receivable balance to the General Fund payable from the Capital Projects Fund.

5. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2017, was as follows:

	Balance September 30, 2016	Additions	Retirements and Transfers	Balance September 30, 2017
Water and wastewater facilities	\$ 4,144,875	-	-	4,144,875
Less accumulated depreciation	(480,634)	(103,622)	-	(584,256)
Capital assets, net	<u>\$ 3,664,241</u>	<u>(103,622)</u>	<u>-</u>	<u>3,560,619</u>

6. DEFERRED CHARGES ON BOND REFUNDINGS

The following is a summary of changes in deferred charges on bond refundings for the year ended September 30, 2017:

	Balance September 30, 2016	Additions	Reductions	Balance September 30, 2017
Deferred charges on bond refundings	\$ 135,801	-	(10,446)	125,355

7. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2017:

	Balance September 30, 2016	Additions	Reductions	Balance September 30, 2017
Unlimited Tax Bonds, Series 2013	\$ 3,000,000	-	(75,000)	2,925,000
Unlimited Tax Refunding Bonds, Series 2015	2,160,000	-	(130,000)	2,030,000
Total	\$ 5,160,000	-	(205,000)	4,955,000

Long-term debt at September 30, 2017 was comprised of the following individual issues:

Series	Description	Matures Through	Interest Rate %	Balance September 30, 2017	Due Within One Year
2013	Unlimited Tax Bonds	2038	3.25% - 4.63%	2,925,000	80,000
2015	Unlimited Tax Refunding Bonds	2029	2.476%	2,030,000	130,000
Total				\$ 4,955,000	\$ 210,000

Debt service requirements to maturity for the District's bonds are as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 210,000	185,194	395,194
2019	220,000	179,376	399,376
2020	235,000	173,310	408,310
2021	240,000	166,835	406,835
2022	250,000	159,971	409,971
2023 - 2027	1,460,000	676,433	2,136,433
2028 - 2032	1,145,000	428,110	1,573,110
2033 - 2037	970,000	207,000	1,177,000
2038	225,000	11,250	236,250
Total	<u>\$ 4,955,000</u>	<u>2,187,479</u>	<u>7,142,479</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation without limitation as to rate or amount, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks.

At September 30, 2017, there were \$20,690,000 of bonds authorized by voters of the District but unissued.

8. PROPERTY TAXES

The Texas Water Code authorizes the District to levy a tax each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within its boundaries. Assessed values are established annually by the Hays Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected and become available to finance expenditures of the District in the current fiscal period. The balance is reported as deferred revenue. Taxes receivable are due January 1 and are delinquent if received after January 31 and are subject to penalty and interest charges.

In September 2016, the District levied a tax rate of \$0.85 per \$100 of assessed valuation to finance the operating expenditures and debt service requirements of the District. The maintenance tax rate and the debt service tax rate were \$0.4708 and \$0.3792, respectively. The total 2016 tax levy was \$744,704 based on a taxable valuation of \$84,064,367.

9. COMMITMENTS AND CONTINGENT LIABILITIES

The District is currently under development and the construction of facilities is being paid by the developer of the District. Such costs may be reimbursable to the developer by the District from proceeds of future bond issues, subject to approval by the Texas Commission on Environmental Quality. The bond proceeds will be used to purchase all of the capital assets within the District including related infrastructure. The estimate of total bonds needed to purchase the infrastructure is \$26,280,000. As of September 30, 2017, the District has recorded no liability pertaining to such construction costs. However, the District has received \$115,036 of developer advances to fund operations as of September 30, 2017 and has recorded a liability for these operating advances to be reimbursed to the developer from proceeds of future bond issues.

10. 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.

Assigned - For the General Fund, the Board may appropriate amounts that are to be used for a specific purpose. 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.

The detail of the fund balances is included in the Governmental Funds Balance Sheet on page 10. 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 the authority to 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.

11. RISK MANAGEMENT

The District's risk management program includes coverage through third party insurance providers for director and officer liability, public official position liability and general liability. Losses in excess of the various deductible levels are covered through traditional indemnity coverage. No claims were filed during the previous two years.

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

INDEX OF SUPPLEMENTAL SCHEDULES REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY YEAR ENDED SEPTEMBER 30, 2017

<u>SCHEDULE INCLUDED</u>		
<u>YES</u>	<u>NO</u>	
<u>X</u>	<u> </u>	TSI-0 Notes Required by the Water District Accounting Manual
<u>X</u>	<u> </u>	TSI-1 Schedule of Services and Rates
<u>X</u>	<u> </u>	TSI-2 Schedule of General Fund Expenditures
<u>X</u>	<u> </u>	TSI-3 Schedule of Temporary Investments
<u>X</u>	<u> </u>	TSI-4 Analysis of Taxes Levied and Receivable
<u>X</u>	<u> </u>	TSI-5 Long-Term Debt Service Requirements by Years
<u>X</u>	<u> </u>	TSI-6 Analysis of Changes in Long-Term Bonded Debt
<u>X</u>	<u> </u>	TSI-7 Comparative Schedule of Revenues and Expenditures - General Fund and Debt Service Fund Five Years Ended September 30, 2017
<u>X</u>	<u> </u>	TSI-8 Board Members, Key Personnel and Consultants

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

TSI-0 NOTES REQUIRED BY THE WATER DISTRICT ACCOUNTING MANUAL YEAR ENDED SEPTEMBER 30, 2017

The notes which follow are not necessarily required for fair presentation of the audited financial statements of the District which are contained in the preceding section of this report. They are presented in conformity with requirements of the Texas Commission on Environmental Quality to assure disclosure of specifically required facts.

(A) Creation of District

See Note 1 to basic financial statements.

(B) Contingent Liabilities

See Note 9 to basic financial statements.

(C) Pension Coverage

Not applicable.

(D) Pledge of Revenues

See Note 7 to basic financial statements.

(E) Compliance with Debt Service Requirements

See Note 7 to basic financial statements.

(F) Redemption of Bonds

See Note 7 to basic financial statements.

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

TSI-1 SCHEDULE OF SERVICES AND RATES YEAR ENDED SEPTEMBER 30, 2017

1. Services Provided by the District:⁽¹⁾

- | | | |
|--|---|--|
| <input 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 checked="" type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input checked="" 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 for a 5/8" Meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons Over Minimum Use</u>	<u>Usage Levels</u>
WATER	\$ (1)	(1)	N/A	\$ N/A	N/A
WASTEWATER	\$ 25.00	2,000	Y	\$ 2.90	No Limit
SURCHARGE	\$ None			\$	

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water: \$ (1) Wastewater: \$ 48.20

⁽¹⁾ The West Travis County Public Utility Agency (the "WTCPUA") provides retail water service to residents within the District. The District provides wastewater service to residents within the District. An agreement was executed whereby the WTCPUA bills and collects payments for both water and wastewater. The WTCPUA forwards wastewater payments to the District.

(continued)

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

TSI-1 SCHEDULE OF SERVICES AND RATES (continued) YEAR ENDED SEPTEMBER 30, 2017

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	-	-	x 1.0	-
<=3/4"	-	-	x 1.0	-
1"	-	-	x 2.5	-
1 1/2"	-	-	x 5.0	-
2"	-	-	x 8.0	-
3"	-	-	x 15.0	-
4"	-	-	x 25.0	-
6"	-	-	x 50.0	-
8"	-	-	x 80.0	-
10"	-	-	x 115.0	-
Total Water	(1)	(1)		(1)
Total Wastewater	236	236	x 1.0	236

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

Gallons pumped into system:	<u>(1)</u>	Water Accountability Ratio:
		(Gallons billed/Gallons pumped)
Gallons billed to customers:	<u>(1)</u>	<u>(1)</u>

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

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent Commission Order: N/A

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

If yes, Date of the most recent Commission Order: N/A

(1) The WTCPUA provides retail water service to residents within the District. The District provides wastewater service to residents within the District. An agreement was executed whereby the WTCPUA bills and collects payments for both water and wastewater. The WTCPUA forwards wastewater payments to the District.

(continued)

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

TSI-1 SCHEDULE OF SERVICES AND RATES (continued) YEAR ENDED SEPTEMBER 30, 2017

5. Location of District:

County(ies) in which district is located: Hays

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: Dripping Springs

Are Board members appointed by an office outside the District? Yes No

If yes, by whom? N/A

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

TSI-2 SCHEDULE OF GENERAL FUND EXPENDITURES YEAR ENDED SEPTEMBER 30, 2017

Personnel Expenditures (including benefits)	\$	-
Professional Fees:		
Auditing		12,500
Legal		19,386
Engineering		31,367
Financial Advisor		2,500
Purchased Services For Resale-		
Bulk Water Purchases		16,676
Contracted Services:		
Bookkeeping		-
General Manager		49,800
Tax Collector		2,445
Other Contracted Services		-
Utilities		20,096
Repairs and Maintenance		194,098
Administrative Expenditures:		
Directors' Fees		2,530
Office Supplies		-
Insurance		10,106
Other Administrative Expenses		395
Capital Outlay:		
Capitalized Assets		-
Expenditures not Capitalized		-
Tap Connection Expenditures		-
Solid Waste Disposal		264
Parks and Recreation		-
Other Expenditures		2,121
TOTAL EXPENDITURES	\$	<u>364,284</u>

Number of persons employed by the District: 0 Full-Time 5 Part-Time
(Does not include independent contractors or consultants)

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

TSI-3 SCHEDULE OF TEMPORARY INVESTMENTS YEAR ENDED SEPTEMBER 30, 2017

<u>Type of Investment</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at September 30, 2017</u>	<u>Accrued Interest Receivable at September 30, 2017</u>
<u>General Fund</u>					
TexPool	7946600003	Various	N/A	\$ 265,292	-
<u>Debt Service Fund</u>					
TexPool	7946600001	Various	N/A	<u>396,026</u>	<u>-</u>
TOTAL - ALL FUNDS				<u>\$ 661,318</u>	<u>-</u>

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

TSI-4 ANALYSIS OF TAXES LEVIED AND RECEIVABLE YEAR ENDED SEPTEMBER 30, 2017

	Maintenance Taxes	Debt Service Taxes		
TAXES RECEIVABLE, SEPTEMBER 30, 2016	\$ -	\$ -		
2016 Tax Roll	332,225	412,479		
Adjustments	-	-		
Total to be accounted for	<u>332,225</u>	<u>412,479</u>		
Tax collections:				
Current year	332,225	412,479		
Prior years	-	-		
Total collections	<u>332,225</u>	<u>412,479</u>		
TAXES RECEIVABLE, SEPTEMBER 30, 2017	<u>\$ -</u>	<u>\$ -</u>		
TAXES RECEIVABLE, BY YEARS				
Rollbacks	\$ -	\$ -		
2016	-	-		
2015	-	-		
2014	-	-		
2013	-	-		
2012 and earlier	-	-		
TAXES RECEIVABLE, SEPTEMBER 30, 2017	<u>\$ -</u>	<u>\$ -</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
PROPERTY VALUATIONS-				
Land improvements and personal property	\$ 84,064,367	75,915,600	67,146,587	48,972,474
TAX RATES PER \$100 VALUATION:				
Maintenance tax rates	\$ 0.4708	0.4274	0.3500	0.2800
Debt service tax rates	<u>0.3792</u>	<u>0.4226</u>	<u>0.5000</u>	<u>0.5700</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.8500</u>	<u>0.8500</u>	<u>0.8500</u>	<u>0.8500</u>
ORIGINAL TAX LEVY	<u>\$ 744,704</u>	<u>673,905</u>	<u>594,201</u>	<u>434,414</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS YEAR ENDED SEPTEMBER 30, 2017

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX BONDS, SERIES 2013			UNLIMITED REFUNDING TAX BONDS, SERIES 2015			ANNUAL REQUIREMENTS FOR ALL SERIES		
	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
2018	\$ 80,000	134,941	214,941	130,000	50,253	180,253	210,000	185,194	395,194
2019	80,000	132,341	212,341	140,000	47,035	187,035	220,000	179,376	399,376
2020	85,000	129,741	214,741	150,000	43,569	193,569	235,000	173,310	408,310
2021	90,000	126,979	216,979	150,000	39,856	189,856	240,000	166,835	406,835
2022	95,000	123,829	218,829	155,000	36,142	191,142	250,000	159,971	409,971
2023	100,000	120,266	220,266	165,000	32,305	197,305	265,000	152,571	417,571
2024	105,000	116,266	221,266	170,000	28,221	198,221	275,000	144,487	419,487
2025	115,000	111,961	226,961	180,000	24,012	204,012	295,000	135,973	430,973
2026	120,000	107,074	227,074	185,000	19,556	204,556	305,000	126,630	431,630
2027	125,000	101,794	226,794	195,000	14,977	209,977	320,000	116,771	436,771
2028	130,000	96,013	226,013	200,000	10,150	210,150	330,000	106,163	436,163
2029	140,000	90,000	230,000	210,000	5,198	215,198	350,000	95,198	445,198
2030	145,000	83,000	228,000	-	-	-	145,000	83,000	228,000
2031	155,000	75,750	230,750	-	-	-	155,000	75,750	230,750
2032	165,000	68,000	233,000	-	-	-	165,000	68,000	233,000
2033	175,000	59,750	234,750	-	-	-	175,000	59,750	234,750
2034	180,000	51,000	231,000	-	-	-	180,000	51,000	231,000
2035	195,000	42,000	237,000	-	-	-	195,000	42,000	237,000
2036	205,000	32,250	237,250	-	-	-	205,000	32,250	237,250
2037	215,000	22,000	237,000	-	-	-	215,000	22,000	237,000
2038	225,000	11,250	236,250	-	-	-	225,000	11,250	236,250
Total	\$ 2,925,000	1,836,205	4,761,205	2,030,000	351,274	2,381,274	4,955,000	2,187,479	7,142,479

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

TSI-6 ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT YEAR ENDED SEPTEMBER 30, 2017

	<u>SERIES 2013</u>	<u>SERIES 2015</u>	<u>TOTAL</u>
Interest rate	3.25% to 4.63%	2.476%	
Dates interest payable	3/1 ; 9/1	3/1 ; 9/1	
Maturity date	2038	2029	
Bonds outstanding, beginning of year	\$ 3,000,000	\$ 2,160,000	\$ 5,160,000
Bonds issued during the current year	-	-	-
Bonds retired during the current year	(75,000)	(130,000)	(205,000)
Bonds outstanding, end of year	<u>\$ 2,925,000</u>	<u>\$ 2,030,000</u>	<u>\$ 4,955,000</u>
Interest paid during the current year	<u>\$ 137,379</u>	<u>\$ 53,471</u>	<u>\$ 190,850</u>
Paying Agent's Name & Address:	Regions Bank, Houston, Texas	Regions Bank, Houston, Texas	
Bond Authority:		<u>Tax Bonds</u>	<u>Refunding Bonds</u>
Bond authorized by voters		\$ 26,280,000	-
Amount issued		5,590,000	2,245,000
Remaining to be issued		<u>\$ 20,690,000</u>	<u>-</u>
Debt Service Fund cash and temporary investments balances as of September 30, 2017			<u>\$ 396,026</u>
Average annual debt service payment (principal & interest) for remaining term of all debt			<u>\$ 340,118</u>

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND AND DEBT SERVICE FUND FIVE YEARS ENDED SEPTEMBER 30, 2017

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
GENERAL FUND										
REVENUES AND OTHER SOURCES:										
Wastewater service	\$ 109,054	93,244	98,724	98,021	82,340	23.7 %	20.3	26.5	37.1	16.5
Tap connection/inspection fees	1,290	1,080	1,350	1,738	54,180	0.3	0.2	0.4	0.7	10.9
Property taxes, including penalties and interest	332,515	347,665	256,895	149,249	209,614	72.2	75.6	69.0	56.6	42.0
Miscellaneous	17,961	18,104	15,267	14,749	16,182	3.8	3.9	4.1	5.6	3.2
Transfers in	-	-	-	-	136,346	-	-	-	-	27.4
Total revenues and other sources	460,820	460,093	372,236	263,757	498,662	100.0	100.0	100.0	100.0	100.0
EXPENDITURES:										
Service operations:										
Management services	49,800	49,800	51,220	39,293	37,800	10.9	10.8	13.8	14.9	7.6
Engineering fees	31,367	5,018	13,478	12,838	1,849	6.8	1.1	3.6	4.9	0.4
Audit fees	12,500	12,000	12,000	11,500	10,000	2.7	2.6	3.2	4.4	2.0
Repairs and maintenance	194,098	177,886	280,064	133,522	72,012	42.2	38.7	75.2	50.6	14.4
Legal fees	19,386	17,639	21,202	22,754	40,462	4.2	3.8	5.7	8.6	8.1
Insurance	10,106	9,748	9,102	8,866	9,066	2.2	2.1	2.4	3.4	1.8
Tap inspection fees	-	-	-	2,469	7,825	-	-	-	0.9	1.6
Utilities	20,096	18,454	18,306	17,537	14,530	4.4	4.0	4.9	6.6	2.9
Directors' fees	2,530	2,261	4,360	1,639	2,791	0.5	0.5	1.2	0.6	0.6
Wastewater service fees	16,676	15,601	12,023	14,426	13,989	3.6	3.4	3.2	5.5	2.8
Financial advisor fees	2,500	2,500	2,500	2,500	2,500	0.5	0.5	0.7	0.9	0.5
Tax assessor/collector fees	2,445	2,672	2,059	1,593	1,997	0.5	0.6	0.6	0.6	0.4
Garbage services	264	258	240	251	198	0.1	0.1	0.1	0.1	-
Recurring operating	2,516	2,844	3,754	21,699	21,852	0.5	0.6	1.0	8.2	4.4
Capital outlay	-	-	-	19,015	72,044	-	-	-	7.2	14.4
Total expenditures	364,284	316,681	430,308	309,902	308,915	79.1	68.8	115.6	117.4	61.9
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES										
	\$ 96,536	143,412	(58,072)	(46,145)	189,747	20.9 %	31.2	(15.6)	(17.4)	38.1
DEBT SERVICE FUND										
REVENUES AND OTHER SOURCES, NET:										
General revenues:										
Property taxes, including penalties and interest	\$ 412,838	347,441	366,988	300,704	102,968	99.0 %	99.9	86.2	50.3	99.9
Miscellaneous	4,353	324	304	242	92	1.0	0.1	0.1	0.0	0.1
Proceeds from sale of bonds	-	-	2,245,000	297,288	-	-	-	527.5	49.7	-
Payment to refunded bond escrow agent	-	-	(2,186,693)	-	-	-	-	(513.8)	-	-
Total revenues and other sources, net	417,191	347,765	425,599	598,234	103,060	100.0	100.0	100.0	100.0	100.0
EXPENDITURES:										
Service operations:										
Tax collector/appraisal fees	2,985	2,602	2,884	2,145	962	0.7	0.7	0.7	0.4	0.9
Recurring operating	250	626	638	428	799	0.1	0.2	0.1	0.1	0.9
Debt service:										
Principal	205,000	125,000	140,000	80,000	75,000	49.1	35.9	32.9	13.4	72.8
Interest and other debt service costs	191,754	197,292	288,429	248,945	126,365	46.0	56.7	67.8	41.6	122.6
Total expenditures	399,989	325,520	431,951	331,518	203,126	95.9	93.5	101.5	55.5	197.2
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES, NET OVER (UNDER) EXPENDITURES										
	\$ 17,202	22,245	(6,352)	266,716	(100,066)	4.1 %	6.5	(1.5)	44.5	(97.2)
TOTAL ACTIVE RETAIL WATER CONNECTIONS										
	(1)	(1)	(1)	(1)	(1)					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS										
	236	236	236	231	223					

(1) The West Travis County Public Utility Agency (the "WTCPUA") provides retail water service to residents within the District. The District provides wastewater service to residents within the District. An agreement was executed whereby the WTCPUA bills and collects payments for both water and wastewater. The WTCPUA forwards wastewater payments to the District.

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS YEAR ENDED SEPTEMBER 30, 2017

Complete District Mailing Address: c/o McGinnis Lochridge & Kilgore LLP
600 Congress Ave, Ste 2100, Austin, Texas 78701-3798

District Business Telephone Number: (512) 495-6008

Submission date of the most recent District Registration Form:
(TWC Sections 36.054 and 49.054) May 11, 2017

Limit on fees of office that a director may receive during a fiscal year:
(Set by Board Resolution - TWC Sections 49.060) \$7,200

<u>Name</u>	<u>Term of Office Elected & Expires or Date Hired</u>	<u>Fees 9/30/2017</u>	<u>Expense Reimbursements 9/30/2017</u>	<u>Title at 9/30/2017</u>
<u>Current Board Members:</u>				
Brent Hammond	Elected 1/14 - 5/18	\$ 600	-	President
Ryan A. Ziehe	Elected 5/14 - 5/18	600	-	Vice President
Paul Heilingenthal	Elected 5/16 - 5/20	300	-	Secretary
Dilipkumar B. Patel	Appointed 1/17 - 5/20	450	-	Treasurer
Brian Hardin	Appointed 5/17 - 5/20	150	-	Assistant Treasurer
<u>Former Board Members-</u>				
Gary Cooper	Elected 5/16 - 12/16	150	-	

Note: No director is disqualified from serving on this board under the Texas Water Code.

(continued)

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (continued) YEAR ENDED SEPTEMBER 30, 2017

<u>Name</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements 9/30/2017</u>	<u>Title at Year End</u>
<u>Consultants:</u>			
Severn Trent Environmental Services, Inc.	2007	\$ 153,450	General Manager
McGinnis, Lochridge & Kilgore, L.L.P.	2009	17,047	Attorney
CMA Engineering, Inc.	2007	81,777	Engineer
Maxwell Locke & Ritter LLP	2008	12,500	Auditor
SAMCO Capital Markets	2007	2,500	Financial Advisor
Hays Central Appraisal District	2007	5,389	Tax Appraiser

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

OSI-1 PRINCIPAL TAXPAYERS YEAR ENDED SEPTEMBER 30, 2017

Taxpayer	Type of Property	Tax Roll Year	
		2017	2016
Ledgestone Property LLC	Land & Improvements	\$ 15,614,330	\$ 2,889,180
Nofalia Inc.	Land & Improvements	3,595,040	3,595,040
Anthem at Ledge Stone Apartment Homes, LLC	Land & Improvements	1,190,280	1,190,280
194 Bush Ltd	Land & Improvements	1,170,604	1,651,124
290 East Bush Inc.	Land & Improvements	996,400	1,382,710
Trudy's Four Star	Land & Improvements	812,067	812,067
Ledgestone Properties LP	Land & Improvements	575,120	575,120
Trepex Construction LLC	Land & Improvements	511,290	502,790
David & Angeline Bell	Land & Improvements	471,170	443,350
Herman Elaine	Land & Improvements	464,330	-
Phyllis & Dwayne Moore	Land & Improvements	-	424,970

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

OSI-2 ASSESSED VALUE BY CLASSIFICATION YEAR ENDED SEPTEMBER 30, 2017

Type of Property	Tax Roll Year			
	2017		2016	
	Amount	%	Amount	%
Single Family Residence	\$ 76,085,660	74.7%	\$ 74,915,060	83.8%
Real, Vacant Platted Lots	2,213,870	2.2%	3,136,070	3.5%
Real, Acreage	1,065,730	1.0%	1,065,730	1.2%
Farm and Ranch Improvements	1,036,170	1.0%	1,208,760	1.4%
Real, Commercial and Industrial	20,438,890	20.1%	7,987,790	8.9%
Tangible Personal Business	1,008,031	1.0%	1,044,529	1.2%
Real, Inventory	-	0.0%	-	0.0%
Exempt Property	15,550	0.0%	15,550	0.0%
Less: Adjustments	-	-	-	-
Net Taxable	<u>\$ 101,863,901</u>	<u>100.0%</u>	<u>\$ 89,373,489</u>	<u>100.0%</u>

(this page intentionally left blank)

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

(this page intentionally left blank)



BAM
BUILD AMERICA MUTUAL

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

(this page intentionally left blank)

Financial Advisory Services
Provided By:

SAMCO CAPITAL MARKETS, INC.