

OFFICIAL NOTICE OF SALE

\$8,000,000

**HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
(A Political Subdivision of the State of Texas Located in Hays County, Texas)**

UNLIMITED TAX BONDS, SERIES 2022

Sealed Bids Due: March 15, 2022, at 10:00 a.m., Local time

Award: March 15, 2022, at Noon, Local time

The Bonds are obligations solely of Hays County Municipal Utility District No. 4 and are not obligations of the City of Dripping Springs, Texas; Hays County, Texas; the State of Texas; or any entity or political subdivision other than the District.

THE DISTRICT PLANS TO DESIGNATE THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

THE SALE

Bonds Offered for Sale at Competitive Bidding . . . Hays County Municipal Utility District No. 4 (the "District") is offering for sale its \$8,000,000 Unlimited Tax Bonds, Series 2022 (the "Bonds").

Place and Time of Bid Opening . . . The Board will open and publicly read sealed bids for purchase of the Bonds at the designated meeting place outside the boundaries of the District at the offices of McGinnis Lochridge LLP located at 1111 W. 6th Street, Bldg. B, Ste. 400, Austin, Texas 78703 at Noon, local time.

Award of Bonds . . . On the day of the sale at Noon, the District will hold a meeting at which it will take action to award the Bonds or reject all bids promptly upon the opening of bids. Upon awarding the Bonds, the District will also adopt the order authorizing issuance of the Bonds (the "Bond Order") and will approve the Official Statement, which will be an amended form of the Preliminary Official Statement. Sale of the Bonds will be made subject to the terms, conditions and provisions of the Bond Order to which Bond Order reference is hereby made for all purposes.

Address of Bids/Bids Delivered in Person . . . Sealed bids, plainly marked "Bid for Bonds," should be addressed to the Board of Directors of Hays County Municipal Utility District No. 4 and, if delivered in person, delivered to the designated meeting place outside the boundaries of the District, at the offices of McGinnis Lochridge LLP located at 1111 W. 6th Street, Bldg. B, Ste. 400, Austin, Texas 78703 at **by 10:00 a.m., local time**, on the date of the bid opening. All bids must be submitted on the "Official Bid Form" without alteration or interlineation. Copies of the Official Bid Form accompany the Preliminary Official Statement.

Electronic Bidding Procedure . . . Notice is hereby given that electronic proposals will be received via **PARITY**, in the manner described below, **until 10:00 a.m.**, local time, on March 15, 2022. Bids may be submitted electronically via **PARITY** pursuant to this Notice of Sale, **until 10:00 a.m. local time**, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice, the terms of this Notice shall control. For further information about **PARITY**, potential bidders may contact the financial advisor to the District or **PARITY** at (212) 849-5021.

For purposes of both the written sealed bid process and the electronic bidding process, the time as maintained by PARITY shall constitute the official time. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale and the Official Bid Form.

THE BONDS

Description of Bonds . . . The Bonds will be dated April 1, 2022, and interest on the Bonds will be payable September 1, 2022, and semi-annually thereafter on each March 1 and September 1 (each an “Interest Payment Date”) until maturity or earlier redemption. The initial Bond will be registered to the Initial Purchaser (defined below), will be a single Bond for the entire issue, and will be in fully registered form. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described in the PRELIMINARY OFFICIAL STATEMENT. No physical delivery of the Bonds will be made to the owners thereof. The initial paying agent/registrar (the “Paying Agent”) is Zions Bancorporation, National Association, Houston, Texas. Principal and semi-annual interest will be paid to DTC on each applicable payment date. DTC will be responsible for distributing the amounts so paid to its participants, which will remit amounts received to the beneficial owners of the Bonds. Interest on the Bonds will be payable by check or draft, dated as of the Interest Payment Date, and mailed on or before each Interest Payment Date by the Paying Agent to each registered owner of record as of the Record Date (as defined herein). The Bonds mature serially on September 1 in the years and amounts shown below.

<u>Principal Amount Maturing</u>	<u>Year of Maturity</u>	<u>Principal Amount Maturing</u>	<u>Year of Maturity</u>
\$ 25,000	2022	\$440,000	2032(i)(ii)
25,000	2023	450,000	2033(i)(ii)
25,000	2024	465,000	2034(i)(ii)
25,000	2025	470,000	2035(i)(ii)
25,000	2026	480,000	2036(i)(ii)
25,000	2027	490,000	2037(i)(ii)
25,000	2028	505,000	2038(i)(ii)
25,000	2029	1,170,000	2039(i)(ii)
430,000	2030(i)(ii)	1,210,000	2040(i)(ii)
435,000	2031(i)(ii)	1,255,000	2041(i)(ii)

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- (i) The District reserves the right to redeem prior to maturity those Bonds maturing on September 1 in each of the years 2030 through 2041, both inclusive, in whole or from time to time in part on September 1, 2029, or any date thereafter, in integral multiples of \$5,000 at a price of par plus accrued interest from the most recent Interest Payment Date to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the particular Bonds thereof shall be selected and designated by the District, and if less than all of the Bonds within a maturity are redeemed, the particular Bonds or portions thereof to be redeemed shall be selected by the Paying Agent by lot.
- (ii) Of such principal maturities set forth above, the bidder has the option to create term bonds as reflected on the bid form.

Source of Payment . . . The Bonds, when issued, will constitute valid and binding obligations of the District payable as to principal and interest from the proceeds of a continuing, direct, annual ad valorem tax levied against taxable property located within the District, without legal limitation as to rate or amount, as described in the Preliminary Official Statement.

Other Terms and Covenants . . . Other terms of the Bonds and various covenants of the District contained in the Bond Order under which the Bonds are to be issued are described in the Preliminary Official Statement, to which reference is made for all purposes.

Book-Entry-Only System . . . The District intends to utilize the Book-Entry-Only System of The Depository Trust Company (“DTC”). See “BOOK-ENTRY-ONLY SYSTEM” in the Preliminary Official Statement.

Municipal Bond Rating . . . The Bonds have been assigned a rating of “Baa3” by Moody’s Investors Service (“Moody’s”).

CONDITIONS OF SALE

Types of Bids and Interest Rates . . . The Bonds will be sold in one block, on an all or none basis, and no bid of less than 97% of par value plus accrued interest to the date fixed for delivery will be accepted. The net effective interest rate must not exceed 3.69% pursuant to an Order of the Texas Commission on Environmental Quality. Bidders must specify the rate or rates of interest the Bonds will bear, provided that each interest rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1%. Subject to the conditions below, no limitation will be imposed upon bidders as to the number of interest rates that may be used and the highest interest rate bid may not exceed the lowest interest rate bid by more than 3% in rate. All Bonds maturing within a single year must bear the same rate of interest. No bids for the Bonds involving supplemental interest rates will be considered. Each bidder shall state in its bid the total and net interest cost in dollars and the net effective interest rate determined thereby, which shall be considered informative only and not as a part of the bid.

Basis of Award . . . For the purpose of awarding the sale of the Bonds, the total interest cost of each bid will be computed by determining, at the rate or rates specified, the total dollar value of all interest on the Bonds from the date thereof to their respective maturities and adding thereto the dollar amount of the discount bid, if any, or deducting there from the premium bid, if any. Subject to the right of the District to reject any or all bids, the Bonds will be awarded to the bidder whose bid, based on the above computation, produces the lowest net effective interest rate. In the event of mathematical discrepancies between the interest rates and the interest costs determined therefrom, as both appear on the "Official Bid Form," the bid will be determined solely from the interest rates shown on the "Official Bid Form."

Good Faith Deposit . . . Each bid must be accompanied by a bank cashier's check payable to the order of "Hays County Municipal Utility District No. 4" in the amount of \$160,000, which is 2% of the par value of the Bonds. The check will be considered as a Good Faith Deposit, and the check of the successful bidder (the "Initial Purchaser") will be retained un-cashed by the District until the Bonds are delivered. Upon payment for and delivery of the Bonds, the Good Faith Deposit will be returned to the Initial Purchaser un-cashed. If the Initial Purchaser should fail or refuse to make payment for or accept delivery of the Bonds in accordance with its bid, then the check will be cashed and accepted by the District as full and complete liquidated damages. Such check may accompany the Official Bid Form or it may be submitted separately. If submitted separately, it shall be made available to the District prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn, which authorize its use as a Good Faith Deposit. The checks of the unsuccessful bidders will be returned immediately after bids are opened and sale of the Bonds has been awarded.

ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM:

Obligation of the District to Receive Information from Initial Purchaser...Pursuant to Texas Government Code, Section 2252.908 (the "Interested Party Disclosure Act"), the District may not award the Bonds to a bidder unless the bidder either: (a) submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the District as prescribed by the Texas Ethics Commission ("TEC"), or (b) represents to the District by marking the appropriate check box on the signature page of the Official Bid Form that the bidder represents to the District that it is a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity (the "Publicly Traded Entity Representation"). In the event that the bidder's bid for the Bonds is the best bid received and the bidder does not provide the Publicly Traded Entity Representation, the District, acting through its financial advisor, will promptly notify the bidder. That notification will serve as the conditional verbal acceptance of the bid and the winning bidder must promptly file the materials described below.

Process for Completing the Disclosure Form...The Disclosure Form can be found at <https://www.ethics.state.tx.us/filinginfo/1295/> and reference should be made to the following information to complete it: (a) item 2 — Hays County Municipal Utility District No. 4, (b) item 3 — (identification number assigned to this contract) "UTB 2022 - Award" and (c) item 3 — (description of goods or services) Initial Purchaser of Bonds.

If the bidder doesn't provide the Publicly Traded Entity Representation, the District cannot accept your bid unless and until you: (i) complete the Disclosure Form electronically at the TEC's "electronic portal", and (ii) print, sign and deliver a copy of the Disclosure Form that is generated by the TEC's "electronic portal." These materials must be delivered electronically to the District's Bond Counsel at juliahouston@orrick.com and bmorse@orrick.com and Financial Advisor at clane@samcocapital.com no later than 12:00p.m. (CDT) on the bid due date.

If the Disclosure Form is required, time will be of the essence in submitting the form to the District, and no bid will be accepted by the District unless a completed Disclosure Form is received on time. If multiple entities are listed on the winning Official Bid Form and the Publicly Traded Entity Representation is not provided, each such entity will be required to submit a Disclosure Form to the District.

Neither the District nor its consultants have the ability to verify the information included in a Disclosure Form, and neither have an obligation nor undertake responsibility for advising any bidder with respect to the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the District that its bid is the conditional winning bid.

Selection of Alternate Winning Bid....If the apparent winning bidder fails to promptly file the Disclosure Form, the District reserves the right to reject such bid and, through its financial advisor, provide conditional verbal acceptance to the bidder submitting a bid, conforming to the specifications herein, which produces the next, lowest Net Effective Interest Cost rate to the District.

Impact of Bidding Syndicate on Award....For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Initial Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Initial Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Purchase of Insurance . . .The District has made application to several bond insurance companies for a guaranty insurance policy insuring timely payment of the principal and interest on the Bonds. **Purchase of insurance by the Initial Purchaser is at the bidder's option and bidder's risk, including the payment of premium for such insurance and any associated rating fees.**

IRAN, SUDAN AND FOREIGN TERRORIST ORGANIZATIONS: By submission of a bid, the bidder represents that that neither it nor any of its parent companies, wholly- or majority-owned subsidiaries, and other affiliates, if any, is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>,
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or
<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the bidder and each of its parent company, wholly or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The bidder understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f) and exists to make a profit.

ANTI-BOYCOTT VERIFICATION: By submission of a bid, the bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent this bid is a contract for goods or services, will not boycott Israel during the term of this contract to purchase the Bonds. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The bidder understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f) and exists to make a profit.

No Discrimination Against Fossil-Fuel Companies: To the extent this Notice of Sale and the Official Bid Form constitute a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies through the delivery of the Bonds. The foregoing verification is made solely to enable the District to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification, "boycott energy companies" shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. The bidder understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f) and exists to make a profit.

No Discrimination Against Firearm Entities and Firearm Trade Associations: To the extent this Notice of Sale and the Official Bid Form constitute a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association through the delivery of the Bonds. The foregoing verification is made solely to enable the District to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association"

(A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company's refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity's or association's status as a firearm entity or firearm trade association. As used in the foregoing verification, (A) "firearm entity" means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (i.e., weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (i.e., devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (i.e., a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (as defined by Section 250.001, Texas Local Government Code), and (B) "firearm trade association" means a person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code. The bidder understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f) and exists to make a profit.

STANDING LETTER REQUIREMENT: Each prospective bidder must have a standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office to confirm the verifications set forth above, as required by the All Bond Counsel Letter of the Texas Attorney General dated September 22, 2021. Bidder agrees that it will not rescind or otherwise modify its standing letter at any time before the delivery of the Bonds unless same is immediately replaced with a standing letter meeting the requirements of the above-described All Bond Counsel Letter.

The District reserves the right, in its sole discretion, to reject any bid from a bidder that does not have such standing letter on file as of the deadline for bids for the Bonds. In the event that a bidder does not have such standing letter on file at the time of submission of a bid, the bidder agrees to file such standing letter with the Municipal Advisory Council of Texas and the Texas Attorney General's Office by the earlier of: (a) two (2) hours after submitting its bid, and (b) the deadline for bids for the Bonds.

OFFICIAL STATEMENT

By accepting the winning bid, the District agrees to the following representations and covenants to assist the Initial Purchaser in complying with Rule 15c2-12 of the Securities and Exchange Commission ("SEC").

Final Official Statement . . . The District has prepared the accompanying Preliminary Official Statement for dissemination to potential Initial Purchasers of the Bonds but will not prepare any other document or version for such purpose, except as described below. The District will be responsible for completing the Official Statement by inserting the interest rates bid, the purchase price bid, the ratings assigned to the Bonds (if not currently included) if applicable, the purchase of municipal bond insurance, if any, the initial public offering yields as set forth in the Official Bid Form, or otherwise supplied by the Initial Purchaser, and for preparing and inserting the final debt service schedule. The District does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. Accordingly, the District deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of SEC Rule 15c2-12(b)(1), except for the omission of the foregoing items. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Initial Purchaser on or after the sale date, the District represents the same to be complete as of such date, within the meaning of SEC Rule 15c2-12(f)(3). Notwithstanding the foregoing, the only representations concerning the absence of material misstatements or omissions from the Official Statement which are or will be made by the District are those described in the Official Statement under "OFFICIAL STATEMENT - Certification as to Official Statement."

Changes to 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 SEC Rule 15c2-12 (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule 15c2-12) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement, which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its

obligation to purchase the Bonds as, described below. See “DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS – Delivery.” The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the “end of the underwriting period” within the meaning of the Rule 15c2-12), unless the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional 25 days after all the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the “end of the underwriting period” as defined in the Rule 15c2-12.

Delivery of Official Statements . . . The District will furnish to the Initial Purchaser (and to each other participating underwriter of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Initial Purchaser), within seven (7) business days after the sale date, the aggregate number of Official Statements requested but not in excess of 50 copies. The District will also furnish to the Initial Purchaser a like number of any supplement or amendment prepared by the District for dissemination to potential Initial Purchasers of the Bonds as described above as well as such additional copies of the Official Statement or any supplement or amendment as the Initial Purchaser may request prior to the 90th day after the end of the underwriting period referred to in SEC Rule 15c2-12(e)(2). The District will pay the expense of preparing up to 100 copies of the Official Statement and all copies of any supplement or amendment issued on or before the delivery date, but the Initial Purchaser must pay for all other copies of the Official Statement or any supplement or amendment thereto.

DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS

Delivery . . . The Initial Bond will be tendered to the Initial Purchaser as a single typewritten, photocopied or otherwise reproduced bond for the entire issue in fully registered form in the aggregate principal amount of \$8,000,000 payable to the Initial Purchaser or its representative as designated in the Official Bid Form, and approved by the Attorney General of the State of Texas and registered and signed by the Comptroller of Public Accounts of the State of Texas. Upon delivery of the Initial Bond, it shall be immediately canceled and one definitive Bond for each maturity will be registered to Cede & Co., and deposited with DTC in connection with DTC’s Book-Entry-Only System. Initial delivery will be at the designated office for payment of the Paying Agent in Houston, Texas. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The District will endeavor to provide at least five (5) business days’ notice of the time fixed for delivery of the Bonds. It is anticipated that initial delivery can be made on or about April 12, 2022, and it is understood and agreed that the Initial Purchaser will accept delivery and make payment for the Bonds no later than 10:00 a.m., local time on April 12, 2022 or thereafter on the date the Bonds are tendered for delivery up to and including May 12, 2022. If for any reason the District is unable to make delivery on or before May 12, 2022, then the District shall immediately contact the Initial Purchaser and offer to allow the Initial Purchaser to extend his offer for an additional thirty (30) days. If the Initial Purchaser does not elect to extend its offer within five (5) business days thereafter, then the Good Faith Deposit will be returned, and both the District and the Initial Purchaser shall be relieved of any further obligation.

CUSIP Numbers . . . It is anticipated that CUSIP identification numbers will be printed or otherwise reproduced on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause of a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale and the terms of the Official Bid Form. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the District. However, the CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of and shall be paid for by the Initial Purchaser.

Conditions to Delivery . . . The obligation of the Initial Purchaser to take up and pay for the Bonds is subject to the Initial Purchaser's receipt of the legal opinion of the Attorney General of Texas, the legal opinion of Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel for the District ("Bond Counsel"), the no-litigation certificate, as described below, and the non-occurrence of the events described below under “No Material Adverse Change”. In addition, if the District fails to comply with its obligations under "OFFICIAL STATEMENT" above, the Initial Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the District within five (5) days thereafter.

Legal Opinions . . . The District will furnish the Initial Purchaser a transcript of certain proceedings held incident to the authorization and issuance of the Bonds, including a certified copy or original of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable from the proceeds of a continual direct annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District. The District also will furnish the legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, substantially to the effect that, based upon an examination of such transcript, (1) the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, (2) the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, against taxable property within the District and (3) pursuant

to the Internal Revenue Code of 1986, (the "Code") then in effect and existing law and assuming continuing compliance by the District with certain certifications related to tax-exemption, the interest on the Bonds will be excludable from gross income, and will not be subject to the alternative minimum tax on individuals for federal income tax purposes. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change. Neither the opinion of the Attorney General nor the opinion of Bond Counsel will express any opinion or make any comment with respect to the sufficiency of the security for or the marketability of the Bonds.

Certification of Issue Price . . . In order to provide the District with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended, relating to the exemption of interest on the Bonds from the gross income of their owners, the Initial Purchaser will be required to complete, execute, and deliver to the District (on or before the date of delivery of the Bonds) a certification as to the "issue price" of the Bonds substantially in the form accompanying this "Notice of Sale" of the Bonds. In the event the successful bidder will not re-offer the Bonds for sale or is unable to sell a substantial amount of the Bonds of any maturity by the date of delivery, such certificate may be modified in a manner approved by the District and Bond Counsel. Each bidder, by submitting its bid, agrees to complete, execute, and deliver such a certificate by the date of delivery of the Bonds, if its bid is accepted by the District. It will be the responsibility of the Initial Purchaser to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel. In no event will the District fail to deliver the Bonds as a result of the Initial Purchaser's inability to sell a substantial amount of the Bonds at a particular price prior to delivery.

Competitive Bidding and Certificate Regarding Issue Price... In the event that the District does not receive sufficient qualified bids to satisfy the competitive sale requirements of Treasury Regulation § 1.148-1(f)(3)(i), allowing the District to treat the reasonably expected initial offering price to the public as of the sale date as the issue price of the Bonds, the District will treat (i) the first price at which 10 percent of a maturity of the Bonds is sold to the public as the issue price of that maturity (the "10 percent rule") or (b) if the Underwriter has agreed in writing not to sell or offer certain maturities of the Bonds at a price higher than the initial offering price for such maturities for a period of five business days after the sale date, the initial offering price to the public as of the sale date of such maturities of the Bonds is the issue price of that maturity (the "hold the price rule"). With respect to the maturities of the Bonds that are subject to the 10 percent rule, if the 10 percent rule has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to SAMCO Capital Markets, Inc., the prices at which it sells Bonds of that maturity to the public. This reporting obligation shall continue, whether or not the Bonds have been delivered, until the 10 percent rule has been satisfied. Alternative language is included in the Certificate Regarding Issue Price for use (I) when the competitive sale requirements of Treasury Regulation § 1.148-1(f)(3)(i) are met and (II) when such requirements are not met.

Qualified Tax-Exempt Obligations for Financial Institutions... Section 265(a) of the Code provides, in general, that interest paid or incurred by a taxpayer, including a "financial institution," as defined in the code, on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible by such taxpayer in determining taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer which is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," which are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any subordinate issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the 2022 calendar year. Notwithstanding this exception, financial institutions acquiring the Bonds will be subject to a twenty percent (20%) disallowance of allocable interest expense.

The District expects to designate the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action, which would assure or to refrain from such action which would adversely affect the treatment of the Bonds as "qualified tax-exempt obligations."

No Material Adverse Change . . . The obligations of the District to deliver the Bonds and of the Initial Purchaser to accept delivery of and pay for the Bonds are subject to the condition that at the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition of the District from those set forth in or contemplated by the "Preliminary Official Statement" as it may have been supplemented or amended through the date of sale.

No-Litigation Certificate . . . On the date of delivery of the Bonds to the Initial Purchaser, the District will deliver to the Initial Purchaser a certificate, as of the same date, substantially to the effect that to the best of the District's knowledge no litigation of any nature is pending or, to the best of the certifying officers' knowledge or belief, threatened against the District, contesting or affecting the Bonds; restraining or enjoining the authorization, execution, or delivery of the Bonds; affecting the provision 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 or the title of the present officers and directors of the District.

CONTINUING DISCLOSURE AGREEMENT

The District will agree in the Bond Order to provide certain periodic information and notices of material events in accordance with SEC Rule 15c2-12, as described in the Preliminary Official Statement under "CONTINUING DISCLOSURE OF INFORMATION." The Initial Purchaser's (s) or its (their) agent's obligation to accept and pay for the Bonds is conditioned upon delivery to the Initial Purchaser of a certified copy of the Bond Order containing the agreement described under such heading.

GENERAL CONSIDERATIONS

Future Registration . . . In the event that the Book-Entry-Only System should be discontinued the Bonds may be transferred, registered and exchanged on the registration books of the Paying Agent, and such registration shall be at the expense of the District though the District or Paying Agent may require payment by an owner of the Bonds requesting a transfer or exchange of Bonds of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of any Bond. A Bond may be transferred or exchanged upon surrender to the Paying Agent accompanied by a written instrument of transfer acceptable to the Paying Agent duly executed by the registered owner thereof or his attorney duly authorized in writing. Upon surrender for transfer of any Bond to the Paying Agent, the District shall execute and the Paying Agent shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same stated maturity and of any authorized denomination, and of a like aggregate principal amount.

Record Date . . . The record date ("Record Date") for the interest payable on any Interest Payment Date means the 15th calendar day of the month next preceding such Interest Payment Date.

Record Date for Bonds to be Redeemed . . . Neither the District nor the Paying Agent shall be required (1) to issue, transfer, or exchange any Bond during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal on interest payment date, or (2) to transfer or exchange, in whole or in part, any Bond or any portion thereof selected for redemption prior to maturity, within forty-five (45) calendar days prior to its redemption date.

Investment Considerations . . . The Bonds involve certain investment considerations and all prospective bidders are urged to examine carefully the Preliminary Official Statement with respect to the investment considerations associated with the Bonds. Particular attention should be given to the information set forth therein under the caption "INVESTMENT CONSIDERATIONS."

Reservation of Rights . . . The District reserves the right to reject any and all bids and to waive any and all irregularities, except time of filing.

Not an Offer to Sell... This Official Notice of Sale does not alone constitute an offer to sell the Bonds but is merely notice of sale of the Bonds. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form

Registration and Qualification Under Securities Laws . . . The Bonds will not be registered or qualified 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 or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, 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.

By submission of a bid, the Initial Purchaser represents that its sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or qualification or, where necessary, the Initial Purchaser will register and qualify the Bonds in accordance with the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Initial Purchaser's written request and expense, in registering or qualifying the Bonds, or in obtaining exemption from registration or qualification, in any state where such action is necessary, provided that the District shall not be required to file a general or special consent to service or process in any jurisdiction.

Municipal Bond Rating and Municipal Bond Insurance . . . Application has been made to Moody's Investors Service ("Moody's"), for a municipal bond rating, and Moody's has assigned an underlying rating of "[Baa3](#)" ([stable](#) outlook) to the Bonds. Application has also been made for the qualification of the Bonds for municipal bond insurance. In the event the Bonds are qualified for municipal bond insurance, and the Initial Purchaser desires to purchase such insurance, all costs related to obtaining insurance will be paid by the Initial Purchaser. Any fees to be paid to Moody's as a result of said insurance **will be paid by the Initial Purchaser**. It is the responsibility of the Initial Purchaser to disclose the existence of

insurance, its terms and the effect thereof with respect to the reoffering of the Bonds. Any rating downgrade by any nationally recognized rating agency, of the bond insurance provider after the bid opening shall not relieve the Initial Purchaser of its obligation under the heading “DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS”. (SEE MUNICIPAL BOND RATINGS AND INSURANCE in the Preliminary Official Statement). It should be noted that the state of the municipal bond insurance industry is under stress, which could result in downgrades of certain municipal bond insurers. Accordingly, investors should evaluate the underlying credit quality of the District.

Copies of Documents . . . Copies of the Official Notice of Sale, the Preliminary Official Statement, the Official Bid Form, Audits, and the pro forma Bond Order may be obtained at the offices of SAMCO Capital Markets, Inc., 6805 Capital of Texas Highway, Suite 350, Austin, Texas 78731, Financial Advisor to the District.

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

March 4, 2022

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Our calculation (which is not a part of this bid) of the interest cost from the above bid is:

Total Interest Cost.....	\$ _____
Plus: Cash Discount.....	\$ _____
Net Interest Cost.....	\$ _____
Net Effective Interest Rate.....	_____ %

The initial bond shall be registered in the name of Cede & Co. We will advise the office for payment of Zions Bancorporation, National Association, Houston, Texas the Paying Agent, on forms to be provided by the Paying Agent, of our registration instructions at least five (5) business days prior to the date set for initial delivery of Bonds on the closing date. We will not ask the Paying Agent to accept any registration instructions after the five (5) day period for delivery of Bonds on the closing date.

We are having all maturities of the Bonds insured by _____ at a premium of \$ _____, said premium to be paid by the Initial Purchaser. Any fees to be paid to the rating agencies as a result of such insurance will be paid by the Initial Purchaser.

Cashier's Check No. _____, issued by _____ (name of bank) and payable to your order in the amount of \$107,000 (is attached hereto) (has been made available to you prior to the opening of this bid) as the Good Faith Deposit for disposition in accordance with the terms and conditions set forth in the Official Notice of Sale. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions of such Official Notice of Sale, such check shall be cashed and the proceeds retained as complete liquidated damages against us. We hereby represent that sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or qualification and that, where necessary, we will register or qualify the Bonds in accordance with the securities laws of the states in which the Bonds are offered or sold.

The bidder represents that that neither it nor any of its parent companies, wholly- or majority-owned subsidiaries, and other affiliates, if any, is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>, <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The bidder understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f) and exists to make a profit.

The bidder represents that it and its parent companies, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent the winning bid is a contract for goods or services, will not boycott Israel so long as bidder owns any of the Bonds. The foregoing verification will be made solely to comply with Section 2270.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, 'boycott Israel' means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The winning bidder understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the winning bidder and exists to make a profit.

The bidder represents that, to the extent this bid form constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of this bid form. The foregoing verification is made solely to enable the District to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification, "boycott energy companies" shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil

fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. The bidder understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f) and exists to make a profit.

The bidder represents that, to the extent this bid form constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this bid form. The foregoing verification is made solely to enable the District to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification, “discriminate against a firearm entity or firearm trade association” (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, (ii) refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company’s refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity’s or association’s status as a firearm entity or firearm trade association. As used in the foregoing verification, (b) “firearm entity” means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (i.e., weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (i.e., devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (i.e., a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (as defined by Section 250.001, Texas Local Government Code), and (c) “firearm trade association” means a person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code. The bidder understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f) and exists to make a profit.

The undersigned agrees to complete, execute, and deliver to the District, at least six (6) business days prior to the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the District. The undersigned further agrees to provide in writing the initial reoffering prices and other terms, if any, to SAMCO Capital Markets, Inc. by the close of the next business day after the award.

Entity Submitting Bid - Check One:

_____ Disclosure Form - Entity will provide a Disclosure Form as and when required by the Notice of Sale and Bidding Instructions.

_____ Publicly Traded Entity Representation - The entity hereby represents to the District that it is a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

(Syndicate members, if any)

Respectfully submitted,

By: _____

Authorized Representative

Phone Number: _____

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby accepted by Hays County Municipal Utility District No. 4 this _____ day of _____, 2022.

ATTEST:

Secretary, Board of Directors

President, Board of Directors

\$8,000,000
HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
(A Political Subdivision of the State of Texas Located in Hays County, Texas)
UNLIMITED TAX BONDS, SERIES 2022

ISSUE PRICE CERTIFICATE

The undersigned, being a duly authorized representative of the underwriter or the manager of the syndicate of underwriters (“Underwriter”) which has purchased the Unlimited Tax Bonds (the “Bonds”), being issued by Hays County Municipal Utility District No. 4 (the “Issuer”), hereby certifies and represents, based on its records and information, as follows:

(1) On the Sale Date, the Underwriter’s reasonably expected initial offering price of each Maturity of the Bonds (the “Expected Offering Price”) to as the Public is set forth in the pricing wire or equivalent communication for the Bonds, as attached to this Issue Price Certificate as **Schedule A**. The Expected Offering Prices are the prices for the Bonds used by the Underwriter in formulating its bid to purchase the Bonds.

(2) The Underwriter had an equal opportunity to bid to purchase the Bonds and it was not given the opportunity to review other bids that was not equally given to all other bidders (i.e., no last look).

(3) The bid submitted by the Underwriter constituted a firm bid to purchase the Bonds.

(4) The Underwriter has made a bona fide offering of all the Bonds of each Maturity to the Public at its Expected Offering Price set forth in **Schedule A**.

If less than 3 qualified bids are received from underwriters please attach Schedule B.

(5) On the Sale Date, the first price at which at least 10% of each Maturity of the Bonds, except for Bonds listed on Schedule B (the “Hold-the-Offering-Price Maturities”), was sold to the Public is the respective price listed in Schedule A.

(6) As set forth in the Notice of Sale for the Bonds, the Underwriter has agreed in writing that, (i) for each of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Expected Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Bonds of the Hold-the-Offering-Price Maturities to any person at a price that is higher than the respective Expected Offering Price for that Maturity of the Bonds during the Holding Period.

(7) ***Defined Terms.***

(i) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule B hereto as the “Hold-the-Offering-Price Maturities.”

(ii) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Expected Offering Price for such Hold-the-Offering-Price Maturity.

(iii) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(iv) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any entity if an Underwriter and such entity are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(v) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the Bonds. The Sale Date of the Bonds is March 15, 2022.

(vi) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(8) Please choose the appropriate statement:

() Purchaser will not purchase bond insurance for the Bonds.

() Purchaser will purchase bond insurance from _____ (the "Insurer") for a fee/premium of \$ _____ (the "Fee"). To the best of the undersigned's knowledge, information and belief, based upon the facts available at this time and current market conditions, the Fee is a reasonable amount payable solely for the transfer of credit risk for the payment of debt service on the Bonds and does not include any amount payable for a cost other than such guarantee, e.g., a credit rating or legal fees. Purchaser represents that the present value of the Fee for each obligation constituting the Bonds to which such Fee is properly allocated and which are insured thereby is less than the present value of the interest reasonably expected to be saved as a result of the insurance on each obligation constituting the Bonds. In determining present value for this purpose, the yield of the Bonds (determined with regard to the payment of the guarantee fee) has been used as the discount rate. The Fee has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Bonds. No portion of the Fee is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such Fee that has not been earned.

The undersigned understands that the foregoing information will be relied upon by Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Orrick, Herrington & Sutcliffe LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Underwriter is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

[Initial Purchaser]

By: _____

Name: _____

Dated: _____, 2022

SCHEDULE A
PRICING WIRE

(Attached)

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SCHEDULE B
HOLD-THE-OFFERING-PRICE MATURITIES

(Attached)

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PRELIMINARY OFFICIAL STATEMENT DATED MARCH 4, 2022

Rating: Moody's "Baa3"/Stable

NEW ISSUE BOOK-ENTRY-ONLY

See "MUNICIPAL BOND RATINGS & INSURANCE"

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 WILL DESIGNATE THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

\$8,000,000
HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
(A Political Subdivision of the State of Texas Located in Hays County, Texas)
UNLIMITED TAX BONDS, SERIES 2022

Dated: April 1, 2022

Due: September 1, as shown below

Interest on the herein described bonds (the "Bonds") will accrue from April 1, 2022 and is payable September 1, 2022, 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 in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the beneficial owners of the Bonds. The initial Paying Agent/Registrar for the Bonds is Zions Bancorporation, 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.

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) CUSIP Suffix (c)</u>	
\$ 25,000		2022			\$440,000		2032*		
25,000		2023			450,000		2033*		
25,000		2024			465,000		2034*		
25,000		2025			470,000		2035*		
25,000		2026			480,000		2036*		
25,000		2027			490,000		2037*		
25,000		2028			505,000		2038*		
25,000		2029			1,170,000		2039*		
430,000		2030*			1,210,000		2040*		
435,000		2031*			1,255,000		2041*		

* Optional Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on or after September 1, 2030 through 2041, both inclusive, in whole or from time to time in part, on September 1, 2029, 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 may also be subject to mandatory sinking fund redemption if the Initial Purchaser (as herein defined) elects to create one or more term bonds. 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 _____% of par plus accrued interest to the date of delivery, resulting in a net effective interest rate to the District of _____%.
- (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. The yields may be changed at any time at the discretion of the Initial Purchaser. Accrued interest from September 1, 2022 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 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 12, 2022, in Austin, Texas.

Bids Due: March 15, 2022 at 10:00 a.m. local time
Board Meeting: March 15, 2022 at Noon local time

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

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USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District 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 _____ (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the cover page of this Official Statement at a price of _____% 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.

MUNICIPAL BOND RATINGS AND INSURANCE

The District has made application to Moody's Investors Service ("Moody's") for a municipal bond rating in connection with the Bonds. **On March 3, 2022 Moody's assigned a rating of Baa3 on the Bonds.** The District has also made application to bond insurance companies for a guaranty insurance policy insuring the timely payment of the principal of and interest on the bonds. **The premium for such insurance and any associated rating fees will be paid by the initial purchaser. The purchase of insurance by the initial purchaser is at bidder's option and bidder's risk.**

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.

INFECTIOUS DISEASE OUTBREAK – COVID-19

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the easing or removal of COVID-19 related governmental restrictions, economic activity has increased, but there are no assurances that such increased economic activity will continue or continue at the same rate, especially if future outbreaks occur. A rise in COVID-19 cases is ongoing due to a new variant of SARS-CoV2, and the District can make no assurances of the effects of this or future outbreaks on the District. The District has not yet experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however the District cannot predict the long-term economic effects of COVID-19 virus should there be a reversal of economic activity and re-imposition of restrictions. See "INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)."

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, approximately 121.895 acres is developable under the land development regulations applicable to the property. As of the date of this Official Statement, approximately 118.895 acres comprising approximately 97.54% of the developable land within the District has been platted and has public roadway access and utilities available for connection as follows: Bush Ranch, Phase One Revised final plat, Bush Ranch Phase 2 Sections 1&2 final plats, Bush Ranch Phase 3 Section 1 final plat, Bush Ranch Phase 4 Section 1 final plat, and the Ledge Stone Commercial Condominiums plat. The remaining +/- 3 acres of developable but un-platted land also has public roadway access and utility services available for connection and will be platted in the future. There has been a significant amount of vertical improvements developed on several of the platted properties including a single family residential neighborhood, an apartment home community, an assisted living / seniors' housing development, and several commercial structures. For a more detailed description of these improvements and the status of development within the District, see "THE DISTRICT – Historical and Current Status of Development."

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 \$8,000,000 mature annually in varying amounts on September 1 of each year as shown on the cover page hereof. Interest accrues from April 1, 2022 at the rates per annum set forth on the cover page hereof and is payable September 1, 2022 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, 2030, are subject to optional redemption, in whole or from time to time in part, at the option of the District on September 1, 2029, 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”) to be 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) purchase, construct, acquire, repair, improve, and extend a waterworks system, a sanitary sewer system and a drainage and storm sewer system, (ii) pay capitalized interest on the Bonds, and (iii) pay costs of issuing the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Bonds Authorized But Unissued The Bonds are the fourth 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, \$7,440,000 in bonds from the \$26,280,000 authorization in bonds will remain authorized but unissued.

Municipal Bond Ratings and Insurance In connection with the sale of the Bonds, the District has made application to Moody’s for a municipal bond rating. On March 3, 2022, Moody’s assigned a rating of Baa3 rating on the Bonds. The District has also made application to various guaranty insurance company insuring the timely payment of the principal of and interest on the Bonds. **The premium for such insurance and any associated rating fees will be paid by the Initial Purchaser. The purchase of insurance by the Initial Purchaser is at the bidder’s option and at the bidder’s risk.**

Tax-Exemption	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. See "TAX MATTERS."
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.
General Counsel	McGinnis, Lochridge 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.....	Burgess & Niple, Inc. (formerly 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 January 31, 2022)

2021 Assessed Valuation as of January 1, 2021 (100% of estimated market value).....	\$174,641,424	(a)
2022 Estimated Preliminary Valuation (100% of est. market value as of January 1, 2022)	\$183,713,000	(b)
 Gross Debt Outstanding (after issuance of the Bonds).....	 \$16,800,000	 (c)
 Ratio of Gross Debt to 2021 Assessed Valuation as of January 1, 2021.....	 9.62%	
Ratio of Gross Debt to 2022 Est. Preliminary Assessed Valuation as of January 1, 2022.....	9.14%	
 2021 Tax Rate		
Debt Service	\$0.4884	
Maintenance & Operation	<u>\$0.3460</u>	
Total.....	\$0.8344	
 Interest and Sinking Fund Balance.....	 \$1,640,657	 (d)
 Average percentage of current tax collections - Tax Years 2016/2021.....	 98.770%	
 Average percentage of total tax collections - Tax Years 2016/2021	 99.998%	
 Projected Average Annual Debt Service Requirement (2030/2041, inclusive) of the Bonds and the Outstanding Bonds ("Projected Average Requirement")	 \$1,130,801	
 Projected Tax rate required to pay Average Requirement based upon 2021 Assessed Valuation at 95% collections as of January 1, 2021	 \$0.69/\$100 A.V.	
 Projected Tax rate required to pay Average Requirement based upon 2022 Estimated Assessed Valuation at 95% collections as of January 1, 2022	 \$0.65/\$100 A.V.	
 Projected Maximum Annual Debt Service Requirement (2041) of the Bonds and the Outstanding Bonds ("Projected Maximum Requirement")	 \$1,535,925	
 Projected Tax rate required to pay Maximum Requirement based upon 2021 Assessed Valuation at 95% collections as of January 1, 2021	 \$0.93/\$100 A.V.	
 Projected Tax rate required to pay Maximum Requirement based upon 2022 Estimated Assessed Valuation at 95% collections as of January 1, 2022	 \$0.89/\$100 A.V.	
 Number of active single-family connections as of January 2022.....	 232	
Number of Multi-Family Connections as of January 2022 (number of apartments).....	466	
Number of Commercial Connections as of January 2022	7	
 Estimated population as of January 2022	 1,278	 (e)

- (a) Certified Taxable Assessed Value within the District on January 1, 2021 as provided by the Hays Central Appraisal District ("HCAD"). See "TAXING PROCEDURES."
- (b) Provided by the Hays Central Appraisal District, as of January 31, 2022, for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of January 1, 2022 and includes a preliminary estimate of values resulting from the construction of taxable improvements from January 1, 2021, through December 31, 2021. Moreover, the ultimate Assessed Valuation of any improvements added from January 1, 2021, through December 31, 2021, which will be placed on the District's 2022 tax roll, may vary from such estimate once the Appraisal Review Board certifies the value thereof for January 1, 2022, and the ultimate Assessed Valuation of any improvements added from January 1, 2021, through December 31, 2021, which will be placed on the District's 2022 tax roll, may vary from such estimate once the Appraisal Review Board certified the value thereof in 2022.
- (c) Includes the Bonds. See "FINANCIAL STATEMENT – Outstanding Bonds."
- (d) Included in the sale of Bonds is an estimated \$560,000 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.
- (e) Based on 3.5 residents per completed single-family connection and 2 for multi-family.

PRELIMINARY OFFICIAL STATEMENT

relating to

\$8,000,000

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4 (A Political Subdivision of the State of Texas Located in Hays County, Texas) UNLIMITED TAX BONDS, SERIES 2022

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Hays County Municipal Utility District No. 4 (the “District”) of its \$8,000,000 Unlimited Tax Bonds, Series 2022 (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 to 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, 2022 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, 2022, 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 Zions Bancorporation, National Association, 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 16, 2021 (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 (as amended from time to time, the “Consent Agreement”), the City Council of the City of Dripping Springs (the “City”) adopted a resolution noting that the City had no comments or objections to the issuance by the District of the Bonds in a par amount not to exceed \$8,000,000.

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, 2030, 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, 2029, 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, _____ 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, 20
Mandatory Principal
Redemption Date Amount

Bonds Maturing September 1, 20
Mandatory Principal
Redemption Date Amount

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 fourth installment from an authorized issuance of \$26,280,000. The District issued bonds in 2010, which bonds were refunded in 2015, and also issued bonds in 2013 and 2018 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 24 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, 2024 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 one of its corporate trust offices in Texas in which, 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. Following the issuance of the Bonds, the District will have \$7,440,000 of unlimited tax bonds authorized but unissued.

The Bond Order imposes no limitation on the amount of additional tax bonds that 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, the Bond Order does not expressly provide a specific remedy for a default. The Bond Order does provide that the remedy of mandamus described in the Bond Order is addition to all rights and remedies, if any, of any Owner provided by the laws of the State of Texas. 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 Funds 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 "Depository"), 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 Depository.

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 Depository 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 an authorized representative of the District certifying that the amount deposited with a Depository 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 Bond 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, and (ii) keep proper books of record and accounts in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the funds created pursuant to the Bond Order, and all books, documents, and vouchers relating thereto shall at all reasonable times be made available for inspection upon request from any Owner.

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 the majority in aggregate principal amount of Bonds then outstanding 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 District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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 Bond 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. 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 a 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. 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 a 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 1.25% 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) 8.84 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; (7) 12.397 acres (Lot 1 Block A Phase Four Section One) which has been divided into 10 commercial site-condominium units (Ledge Stone Commercial Condominiums) which are being sold for various commercial uses as described herein; and (8) approximately 3 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 (i.e. September 1, 2025), 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.

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USE AND DISTRIBUTION OF BOND PROCEEDS

The proceeds of the Bonds will be used to (i) purchase, construct, acquire, repair, improve, and extend a waterworks system, a sanitary sewer system and a drainage and storm sewer system, (ii) pay capitalized interest on the Bonds, and (iii) pay costs of issuing 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, \$6,469,717 is estimated to be required for construction costs, and \$1,530,283 is estimated to be required for non-construction costs.

CONSTRUCTION COSTS:

A. Developer Contribution Items	<u>Amount</u>
1. Bush Ranch Phase 2, Sections 1 – W, WW & D	\$ 19,192
2. Bush Ranch Phase 2, Section 2 – W, WW & D	364,557
3. Alternate WW Improv. Bush Ranch Phase 2, Section 1	184,022
4. Bush Ranch Phase 3, Section 1 – W, WW & D	66,591
5. Engineering for Items No. 3 & 4	<u>73,494</u>
TOTAL DEVELOPER CONTRIBUTION ITEMS	\$ 707,856
B. District Items	
1. WWTP Expansion Phase II to 150,000 gpd	\$ 711,212
2. Subsurface Drip Irrigation System Phase II – 25,000 gpd	2,315,000
3. Subsurface Drip Irrigation Controller Replacement	85,000
4. Subsurface Drip Irrigation System Phase III	1,750,000
5. Engineering for Items No. B1 & B4	517,991
6. Land Acquisition Costs	
a. Subsurface Drip Irrigation System Phase II Site	253,087
b. Subsurface Drip Irrigation System Phase III Site	<u>129,571</u>
TOTAL DISTRICT ITEMS	\$5,761,861
TOTAL CONSTRUCTION COSTS (80.9% OF BIR)	\$6,469,717
<u>NON-CONSTRUCTION COSTS:</u>	<u>Amount</u>
A. Legal Fees (2%)	\$ 160,000
B. Fiscal Agent Fees (2%)	160,000
C. Interest Cost	
1. Capitalized Interest (24 months at 3.50%)	560,000
2. Developer Interest	263,744
D. Bond Discount (3%)	240,000
E. Bond Issuance Expenses	58,539
F. Bond Application Report	60,000
G. Attorney General’s Fee (0.10%)	8,000
H. TCEQ Bond Issuance Fee (0.25%)	<u>20,000</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$1,530,283</u>
TOTAL BOND ISSUE REQUIREMENT	<u>\$8,000,000</u>

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 or entity, 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.

Infectious Disease Outlook (COVID-19)

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the easing or removal of COVID-19 related governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. In recent months, a global rise in COVID-19 cases has occurred due to a new variant of the SARS-CoV2 virus, and the District can make no representations regarding the effects of such variant or new variants on the District or its operations and finances. To date, the District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

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 2021 assessed valuation of the District is \$174,641,424 (see "FINANCIAL STATEMENT"). After issuance of the Bonds, the Maximum Annual Debt Service Requirement is estimated to be \$1,535,925 (2041) and the Average Annual Debt Service Requirement (2030 through 2041, inclusive) is estimated to be \$1,130,801. Based on the 2021 assessed valuation and no use of funds on hand, a tax rate of \$0.93 per \$100 assessed valuation, at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement of \$1,535,925 and a tax rate of \$0.69 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the Average Annual Debt Service Requirement (2030 through 2041, inclusive) of \$1,130,801. Based on the Preliminary Estimated 2022 assessed valuation of \$183,713,000 and no use of funds on hand, a tax rate of \$0.89 per \$100 assessed valuation, at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement of \$1,535,925 and a tax rate of \$0.65 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the Average Annual Debt Service Requirement (2030 through 2041, inclusive) of \$1,130,801. See "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 \$7,440,000 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 and obligations described in the Bond Order. All the remaining \$7,440,000 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 are currently no advanced funds or costs, outstanding and owed 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

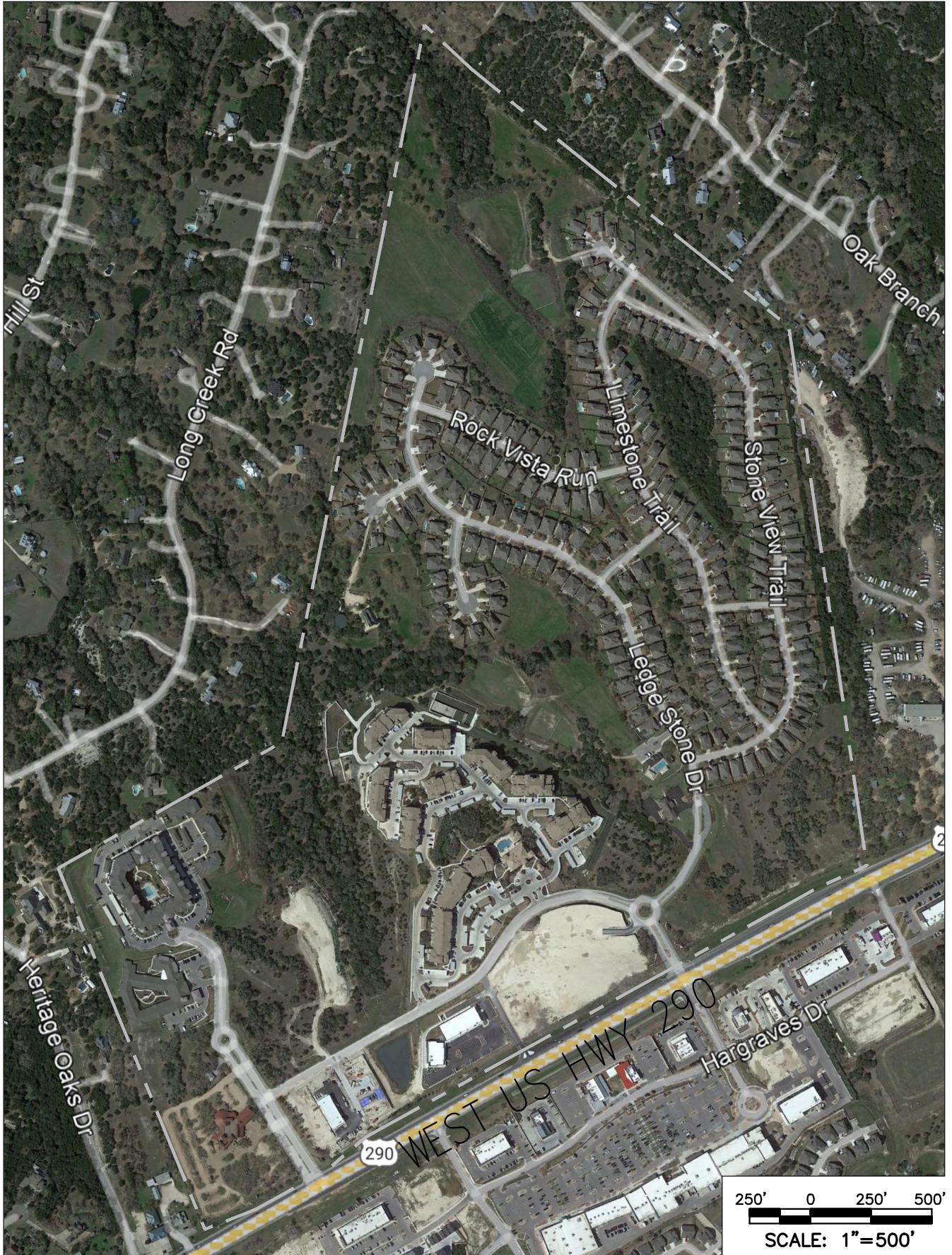
As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS". 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.

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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 or reside in the District.

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>	<u>Term Expires May</u>
Brent Hammond	President	7 years	2022
Craig McColloch	Vice President	4 years	2024
Dilipkumar B. Patel	Secretary	4 years	2024
Brian Hardin	Treasurer	5 years	2024
Michelle Diegle	Asst. Secretary/Treasurer	2 years	2022

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. Jenifer O'Kane, currently serves the District in this capacity under contract.

Operator/Bookkeeper

The District contracts with Inframark, LLC to operate as Operator and Bookkeeper for the District.

Engineer

The District's consulting engineer is Burgess & Niple, Inc.

Auditor

The District's audited financial statements for the year ended September 30, 2021, were prepared by West, Davis and Company LLP See "APPENDIX A" for a copy of the District's year end September 30, 2021, 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.

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 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

As previously stated, of the approximately 194 acres of land within the District, approximately 121.895 acres is developable under the land development regulations applicable to the property. As of the date of this Statement, 118.895 acres comprising approximately 97.54% of the developable land within the District is currently platted and has public roadway access and the remaining +/- 3 acres of developable land has utility services available and public roadway access and will be platted in the future. Currently, development within the District includes the following: (a) 234 finished residential lots on 55.65 acres of land upon which 228 homes have been completed leaving 6 vacant residential lots upon which homes can be constructed in the future; (b) One 5,600 square foot office building located on a 1.36 acre commercial lot (Lot 1 Block A Bush Ranch Phase 1 Revised) 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 and platted vacant commercial lots totaling 8.74 acres being (Lot 1 (1.05 acres), Lot 2 (2.31 acres), Lot 3 (2.43 acres), & Lot 4 (2.95 acres) out of Block E Bush Ranch Phase 1 Revised; [These four lots are currently under a feasibility / option contract to a development company which, if it exercises the option, is planning construction of approximately 63,000 square feet of mixed-use retail, office and restaurant space. THERE IS NO GUARANTEE THAT THIS CONTRACT WILL CLOSE OR THAT THE PROPOSED IMPROVEMENTS WILL BE CONSTRUCTED]; (d) A 0.75 acre lot (Lot 2 Block A Bush Ranch Phase 1 Revised) with an amenity center consisting of a swimming pool, bath house, and playscape for use by the single family residential Ledge Stone neighborhood; (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) A 4.895 acre lot (Lot 1 Block A Phase 2 Section 1 Bush Ranch) and a 1.778 acre lot (Lot 1 Block A Phase 3 Section 1 Bush Ranch) upon which there is currently a vacant +/- 8,000 square foot restaurant and a vacant +/- 2,000 square foot office; [These two lots are currently under contract to a development company with plans to re-develop these two properties into a +/- 240 unit multi-family apartment home community. THERE IS NO GUARANTEE THAT THIS CONTRACT

WILL CLOSE OR THAT THE PROPOSED IMPROVEMENTS WILL BE CCONSTRUCTED]; (g) A +/- 65 room Assisted Living / Memory Care facility plus a +/- 182 unit Independent Living apartment home project located on a 15.678 acre parcel (Lot 2 Block A Bush Ranch Phase 3 Section 1); (h) A completed and fully leased 292 unit apartment home community on a 16.718 acre parcel (Lot 1 Block A Bush Ranch Phase 2 Section 2); (i) A 19,247 square foot fully leased (7 total tenants) retail center located on a 2.751 acre parcel (Unit 2, Ledge Stone Commercial Condominiums); [Two businesses – Factory Mattress and Orange Theory Fitness have opened and tenant improvements are underway on all remaining spaces and are expected to be completed on or before September 30, 2022]; (j) A completed Jiffy Lube service center on a 0.773 acre parcel (Unit 1 C Ledge Stone Commercial Condominiums); (k) A completed Firestone tire and automotive service center on a 0.89 acre parcel (Unit 1 B Ledge Stone Commercial Condominiums); (l) A Rapid Express Car Wash to be constructed on a 0.918 acre parcel (Unit 1 A Ledge Stone Commercial Condominiums); [The property has conveyed and site development and building permits are being processed. Construction is expected to be completed by the end of October, 2022]; (m) A franchise beverage concept called HTea0 to be located on a 0.54 acre parcel (Unit 3 A Ledge Stone Commercial Condominiums); [The property has conveyed and construction is expected to be complete by the end of November, 2022]; (n) A Popeye’s restaurant to be located on a 0.755 acre parcel (Unit 3 B Ledge Stone Commercial Condominiums) It is expected that the property will be conveyed in May / June 2022 with construction to be completed by the end of 2022 [THERE IS NO GUARAANTEE THAT THIS CONTRACT WILL CLOSE OR THAT THE PROPOSED IMPROVEMENTS WILL BE CCONSTRUCTED]; (o) A Panda Express restaurant to be located on a 0.881 acre parcel (Unit 3 C Ledge Stone Commercial Condominiums). It is expected that the property will be conveyed in May / June 2022 with construction to be completed by the end of 2022 [THERE IS NO GUARAANTEE THAT THIS CONTRACT WILL CLOSE OR THAT THE PROPOSED IMPROVEMENTS WILL BE CCONSTRUCTED]; (p) A P. Terry’s hamburger restaurant on a 0.892 acre parcel (Unit 3 D Ledge Stone Commercial Condominiums). The property has conveyed and construction is expected to be complete by the end of November, 2022; (q) A 0.224 acre platted vacant commercial pad site (Unit 1 D Ledge Stone Commercial Condominiums) is available for purchase; (r) A 1.645 acre platted vacant commercial pad site (Unit 3 E Ledge Stone Commercial Condominiums) is available for purchase and as of this writing there is a contract pending (in the feasibility / option period) with the purchaser planning to develop a +/- 14,000 square foot office / medical / retail facility. The contract would close by mid-2022 with development of the improvements expected to be completed by the end of July,2023 [THERE IS NO GUARAANTEE THAT THIS CONTRACT WILL CLOSE OR THAT THE PROPOSED IMPROVEMENTS WILL BE CCONSTRUCTED]; (s) A 3.057 acre (Lot 2 Block A Bush Ranch Phase 2 Section 2) is available for purchase and as of this writing has a contract pending (in the feasibility / option period) with the purchaser planning to develop a child care & learning facility. If consummated, the transaction would close by mid- 2022 with development of the improvements expected to be completed by the end of July,2023 [THERE IS NO GUARAANTEE THAT THIS CONTRACT WILL CLOSE OR THAT THE PROPOSED IMPROVEMENTS WILL BE CCONSTRUCTED]; (t) A +/- 3 acre un-platted, vacant commercial parcel located at the northeast corner of Four Star Blvd. and Rocky Ridge Trail. No definitive plans have been made for the development of this parcel, however, it expected that it may be used for office / medical office, light-retail and other commercial uses.

A. Bush Ranch Summary of Development with Utility Facilities (a)

	<u>Acreege</u>	<u>Platted Lots</u>	<u>Completed Homes/ Buildings</u>	<u>Under Construction</u>	<u>Vacant Lots</u>
Residential	55.650	234	228	0	6
Commercial	23.426	16	4	0	5
Multi-Family (b)	16.718	1	11	0	1
Multi-family (c)	6.673	2	0	0	0
Senior Living	15.678	1	2	0	0
Unplatted	3.000	0	0	0	NA
Amenities	00.750	1	1	0	0
Total	121.895	255	246	0	12

B. Other

Right of Way	10.925
Open Space	13.851
WWTP Util. (d)	39.819
Flood Plain	7.440
Total	72.035
Total Acreage:	<u>193.930</u>

- (a) See attached Schedule of Development Parcels for a detailed breakdown of this Summary of Development.
- (b) Completed 292-unit development on Lot 1 Phase 2 Section 2 Block A.
- (c) Includes a 4.895 acre lot (Phase 2 Section 1) with a vacant restaurant and a 1.778 acre lot (Phase 3 Section 1) with a vacant office, both of which have been purchased for re-development into +/- 240 unit multi-family apartment units.
- (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.

Future Development

Per the schedule above, there is one remaining +/- 3 acre parcel which is not platted but to which utilities and public roadway access are available. The use of this property has not been determined but will likely be commercial. This land is currently owned by 194 Bush, Ltd.

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 limitations 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, Bush Ranch Phase 3 Section 1, and Bush Ranch Phase Four Section One (Ledge Stone Commercial Condominiums) 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. The Developer also has a development loan with Pioneer Bankshares headquartered in Austin, Texas. This loan was for the expansion of the wastewater treatment plant and is secured by future bond reimbursement proceeds from the District.

Agricultural Waiver

As discussed in the section titled “TAXING 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 Burgess & Niple, 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 20-inch waterline. 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 and land disposal permit. The permit called for an initial phase of 75,000 GPD and future phases up to 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 land

for future effluent disposal facilities to accommodate anticipated buildout. Current wastewater flows are approximately 60% of the existing 75,000 GPD disposal capacity. The current wastewater treatment plant capacity is 150,000 GPD. 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 future phases of effluent disposal 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 (with detention).

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 WTPUA 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, \$7,440,000 Unlimited Tax Bonds will remain authorized but unissued. To date, following issuance of the Bonds, there are currently no funds owed to the Developers on current development. In the opinion of the District’s Engineer, the \$7,440,000 authorized but unissued bonds should be sufficient to fully reimburse and provide utility service to the remaining undeveloped but potentially developable acreage.

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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, 2019.

Water (Monthly Billing)

Base Rate 5/8” Meter	\$29.53
Base Rate 3/4” Meter	\$44.57
Base Fee 1”	\$81.09
Base Fee 1 1/2”	\$158.54
Base Fee 2”	\$184.62
Base Fee 3”	\$305.26
Base Fee 4”	\$499.14
Base Fee 6”	\$1,645.80
Base Fee 8”	\$1993.47
Base Fee 12”	\$3,785.37

Volumetric Rate

(Residential, Small Commercial, Irrigation & Fire Hydrant)

0 to 10,000	\$4.70 per 1,000 gallons
10,001 to 20,000	\$5.87 per 1,000 gallons
20,001 to 25,000	\$9.13 per 1,000 gallons
25,001 to 50,000	\$13.70 per 1,000 gallons
50,001 to 80,000	\$15.75 per 1,000 gallons
80,001 and above.....	\$18.11 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
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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	

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>Fiscal Year End</u>				
	<u>01/31/22 (a)</u>	<u>09/30/21(b)</u>	<u>09/30/20 (b)</u>	<u>09/30/19 (b)</u>	<u>09/30/18 (b)</u>
REVENUE					
Wastewater Service	\$42,297	\$128,039	\$101,162	\$98,220	\$103,829
Tap Connection/Inspection Fees	1,000	1,310	910	1,290	1,110
Property Taxes	555,256	558,742	343,459	331,294	492,999
Interest	32	159	3,590	19,380	22,802
Transfers In	<u>0</u>	<u>0</u>	<u>0</u>	<u>97,256</u>	<u>0</u>
TOTAL REVENUES	<u>\$598,585</u>	<u>\$668,250</u>	<u>\$449,121</u>	<u>\$547,440</u>	<u>\$620,740</u>
EXPENDITURES					
Service Operations:					
Wastewater Plant Maintenance	\$50,075	\$119,788	\$ 65,164	\$287,400	\$302,236
Drip Field Maintenance	27,816	51,111	61,432	0	0
Lift Station Maintenance	7,122	43,359	29,977	0	0
Detention Pond Maintenance	6,091	26,098	25,949	0	0
Sludge Hauling	2,441	38,592	16,653	0	0
Laboratory Fees	3,659	20,068	25,949	0	0
Chemicals	3,381	18,636	12,705	0	0
Reuse Irrigation	2,061	10,858	12,313	0	0
Drainage System		3,882	4,860	0	0
Collection System Maintenance	2,907	6,041	2,004	0	0
Utilities	10,120	23,922	24,802	22,170	20,834
Billing Fees	6,379	19,056	17,420	17,778	20,050
Accounting Fees	6,000	18,000	3,000	0	0
Audit Fees	12,000	14,500	14,000	13,500	13,000
Engineering Fees	21,091	80,821	29,610	13,385	26,158
Financial Advisor Fees		2,500	2,500	2,500	2,500
Legal Fees	28,233	78,510	80,140	35,115	42,704
Management Fees	20,378	58,200	51,334	49,800	49,800
Tax Assessor/Collector	1,004	3,824	2,341	2,245	3,334
Director Salaries & Payroll Taxes	3,118	10,858	7,751	5,006	2,907
Insurance		11,144	9,220	8,873	10,455
Public Notice		925			
Miscellaneous	3,648	16,900	4,849	1,525	5,810
Capital Outlay	<u>0</u>	<u>14,576</u>	<u>5,453</u>	<u>170,906</u>	<u>17,249</u>
TOTAL EXPENDITURES	<u>\$217,524</u>	<u>\$692,169</u>	<u>\$498,413</u>	<u>\$630,203</u>	<u>\$517,037</u>
EXCESS (DEFICIT) OF REV & OTHER SOURCES OVER (UNDER) EXPEND.					
	\$381,061	(\$3,919)	\$143,412	(\$58,072)	(\$46,145)
FUND BALANCE (DEFICIT):					
Beginning of Year	<u>\$329,777</u>	<u>\$333,696</u>	<u>\$382,988</u>	<u>\$465,751</u>	<u>\$362,048</u>
End of Year		<u>\$329,777</u>	<u>\$333,696</u>	<u>\$382,988</u>	<u>\$465,751</u>

(a) Represents the period from October 1, 2021, through January 31, 2022 unaudited.

(b) Audited

PROJECTED DEBT SERVICE REQUIREMENTS

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

\$8,000,000

Unlimited Tax Bonds, Series 2022

Issue Dated: April 1, 2022

First Interest Payment Due: September 1, 2022

Year Ending 12/31	Outstanding Bonds		Series 2022			Principal & Interest	Total	Total Debt Service Requirement
	Principal	Interest	Principal (Due 09/01)	Interest (Due 09/01)	Total			
2021								
2022	435,000	325,009	25,000	116,667	116,667	141,667	901,675	
2023	460,000	310,209	25,000	139,563	279,125	304,125	1,074,334	
2024	475,000	292,374	25,000	139,125	278,250	303,250	1,070,624	
2025	510,000	275,861	25,000	138,688	277,375	302,375	1,088,236	
2026	530,000	255,768	25,000	138,250	276,500	301,500	1,087,268	
2027	555,000	239,158	25,000	137,813	275,625	300,625	1,094,783	
2028	575,000	221,500	25,000	137,375	274,750	299,750	1,096,250	
2029	610,000	203,186	25,000	136,938	273,875	298,875	1,112,061	
2030	415,000	183,188	430,000	136,500	273,000	703,000	1,301,188	
2031	440,000	167,500	435,000	128,975	257,950	692,950	1,300,450	
2032	465,000	150,844	440,000	121,363	242,725	682,725	1,298,569	
2033	490,000	132,844	450,000	113,663	227,325	677,325	1,300,169	
2034	510,000	113,856	465,000	105,788	211,575	676,575	1,300,431	
2035	540,000	93,719	470,000	97,650	195,300	665,300	1,299,019	
2036	570,000	72,325	480,000	89,425	178,850	658,850	1,301,175	
2037	595,000	49,300	490,000	81,025	162,050	652,050	1,296,350	
2038	625,000	25,250	505,000	72,450	144,900	649,900	1,300,150	
2039			1,170,000	63,613	127,225	1,297,225	1,297,225	
2040			1,210,000	43,138	86,275	1,296,275	1,296,275	
2041			1,255,000	21,963	43,925	1,298,925	1,298,925	
2042							-	
	\$8,800,000	\$3,111,890	\$8,000,000	\$2,159,967	\$4,203,267	\$12,203,267	\$24,115,156	

FINANCIAL STATEMENT
(Unaudited as of January 31, 2022)

Assessed Value

2021 Assessed Valuation (100% of estimated market value) as of January 1, 2021.....	\$174,641,424 (a)
Estimated Preliminary Valuation (100% of estimated market value as of January 1, 2022).....	\$183,713,000 (b)
Gross Debt Outstanding	\$16,800,000 (c)
Debt Service Fund Balance	\$1,640,657d)
Ratio of Gross Debt to 2021 Assessed Valuation as of January 1, 2022.....	9.62%
Ratio of Gross Debt to 2022 Est. Preliminary Assessed Valuation as of January 1, 2022.....	9.14%

Estimated as of January 2022 Population: 1,278 (e)

- (a) Certified Taxable Assessed Value within the District on January 1, 2021 as provided by the Hays Central Appraisal District (“HCAD”). See “TAXING PROCEDURES”.
- (b) Provided by the Hays Central Appraisal District, as of January 31, 2022, for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of January 1, 2022 and includes a preliminary estimate of values resulting from the construction of taxable improvements from January 1, 2021, through December 31, 2021. Moreover, the ultimate Assessed Valuation of any improvements added from January 1, 2021, through December 31, 2021, which will be placed on the District’s 2022 tax roll, may vary from such estimate once the Appraisal Review Board certifies the value thereof for January 1, 2022, and the ultimate Assessed Valuation of any improvements added from January 1, 2022, through December 31, 2022, which will be placed on the District’s 2022 tax roll, may vary from such estimate once the Appraisal Review Board certified the value thereof in 2022.
- (c) After issuance of the Bonds. See “DEBT SERVICE REQUIREMENTS”.
- (c) Included in the sale of Bonds is an estimated \$560,000 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 and 2 residents for the Multi-Family.

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>	\$ 18,840,000(a)	<u>\$7,440,000</u>
Total		\$26,280,000	\$ 18,840,000(a)	\$7,440,000

(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>Outstanding</u> <u>03/01/22</u>
01/01/2013	2013	Water, WW, Drainage	\$3,000,000	\$2,590,000
02/05/2015	2015 (a)	Refunding	\$2,245,000	\$1,460,000
04/01/2018	2018	Water, WW, Drainage	5,250,000	\$4,750,000
04/01/2022	2022	Water, WW, Drainage	<u>8,000,000</u> (b)	<u>\$8,000,000</u> (b)
			\$18,495,000	\$16,800,000

(a) Refunded the 2010 Bonds.

(b) The Bonds.

Cash and Investment Balances (Unaudited as of December 31, 2021)

Operating Fund	\$710,838
Debt Service Fund	\$1,640,657 (a)
Capital Projects Fund	\$21,006

(a) Included in the sale of Bonds is an estimated \$560,000 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.

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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> Gross Debt </u>		<u> % of Overlpg. Gross Debt </u>	<u> Amount of Overlpg. Gross Debt </u>
	<u> Amount </u>	<u> As of </u>		
Dripping Springs ISD	\$276,454,934	12/31/21	1.88%	\$5,197,353
Hays County	\$519,475,764	12/31/21	0.46%	<u>\$2,389,589</u>
TOTAL ESTIMATED OVERLAPPING NET DEBT				\$7,586,942
The District (a)		01/01/22	100.00%	<u>\$16,800,000</u>
TOTAL ESTIMATED DIRECT AND OVERLAPPING GROSS DEBT				<u>\$24,386,942</u>
Ratio of Direct & Overlapping Net Debt to 2021 Assessed Valuation as of January 1, 2021				13.96%
Ratio of Direct & Overlapping Net Debt to 2022 Preliminary Assessed Valuation as of January 1, 2022				13.27%

(a) After issuance of the Bonds.

Overlapping Taxes

<u> Overlapping Entity </u>	<u> 2021 Tax Rate Per \$100 Assessed Valuation </u>	<u> Average Tax Bill (a) </u>
Hays County	\$0.36290	\$1,506
Dripping Springs Independent School District	1.31030	5,438
North Hays County ESD No. 1	0.03000	125
Hays County ESD No. 6	0.08033	333
Special Road District	0.02380	99
The District	<u>0.83440</u>	<u>3,463</u>
Total	<u>\$2.64173</u>	<u>\$10,964</u>

(a) Based upon the 2021 average single-family home value of \$415,045.

TAX DATA

Classification of Assessed Valuation (a)

Type Property	2021		2020	
	Amount	%	Amount	%
Real, Res., Single-Family	\$103,222,245	56.56	\$85,765,970	55.08
Real, Res., Multi-Family	40,036,015	21.94	33,182,363	21.31
Real, Vacant Lots	2,300,610	1.26	2,139,650	1.37
Real, Farm/Ranch Improv.	526,000	0.29	526,000	0.34
Real, Commercial & Indus.	34,838,313	19.09	32,544,858	20.90
Tangible Personal, Business	966,629	0.53	1,368,706	0.88
Real, Inventory	237,340	0.13	189,840	0.12
Exempt	361,031	0.20	0	0.00
Total	<u>\$182,488,183</u>	<u>100.00%</u>	<u>\$155,717,382</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	%	
2016	\$ 87,522,441	0.8500	743,941	743,941	100.00	743,941	100.00	09/30/17
2017	105,420,636	0.8470	892,913	846,382	94.78	892,913	100.00	09/30/18
2018	109,989,551	0.8500	934,911	934,911	100.00	934,911	100.00	09/30/19
2019	112,651,287	0.8500	957,536	957,536	100.00	957,536	100.00	09/30/20
2020	154,393,952	0.8500	1,312,349	1,312,187	99.99	1,312,187	99.99	09/30/21
2021	174,641,424	0.8344	1,457,208	1,425,692	97.83			09/30/22(a)

(a) The 2021 tax collections through February 1, 2022. 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.	2021	2020	2019	2018	2017
Debt Service	\$0.4884	\$0.493	\$0.55	\$0.55	\$0.3826
Maintenance	<u>0.3460</u>	<u>0.357</u>	<u>0.30</u>	<u>0.30</u>	<u>0.4644</u>
Total	\$0.8344	\$0.850	\$0.850	\$0.85	\$0.8470

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 \$0.346 per \$100 assessed valuation for tax year 2021 and a \$0.357 per \$100 assessed valuation for maintenance and operation for tax year 2020.

Top/ Ten Taxpayers

The following list of principal taxpayers was provided by Hays Central Appraisal District based on the 2021 and 2020 tax rolls of the District, which reflect ownership as of January 1, of each year shown.

Taxpayer	Type of Property	2021	2020
Anthem Ledgestone Apartment Homes	Apartments	\$40,036,015	\$33,182,363
AC Ledgestone Owner LLC	Senior Living	25,397,320	22,970,000
Four Star Blvd LLC	Commercial	3,000,000	(a)
NOFALIA Inc.	Building	(a)	4,860,780
Shops at Ledgestone LLC	Commercial	2,015,450	(a)
290 East Bush Inc.	Land, Vacant Lots	1,896,221	1,732,147
194 Bush		(a)	1,224,470
Four Star Blvd. LLC		1,064,560	(a)
Trepex Construction LLC	Office Space	(a)	971,423
Velocity Credit Union	Commercial/Land	846,580	787,170
290 East Bush Inc.		828,870	742,550
Sunnyvale Landco LLC		818,660	761,210
Ledgestone Senior Living	Land	(a)	743,360
Individual	Residence	815,210	(a)
Total		<u>\$76,718,886</u>	<u>\$67,976,423</u>
Percent of Assessed Valuation		43.93%	44.03%

(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 2021 as of January 1, 2021, or the estimated preliminary valuation as of January 1, 2022, as applicable 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 (2030 through 2041 inclusive).....	\$1,130,801
\$0.69 Tax Rate on 2021 Assessed Valuation as of January 1, 2021 of \$174,641,424 @ 95% collections will produce.....	\$1,144,775
\$0.65 Tax Rate on 2022 Preliminary Assessed Valuation as of January 1, 2022 of \$183,713,000 @ 95% collections will produce.....	\$1,134,428
Projected Maximum Annual Debt Service Requirements including the Bonds (2041)	\$1,535,925
\$0.93 Tax Rate on 2021 Assessed Valuation as of January 1, 2021 of \$174,641,424 @ 95% collections will produce.....	\$1,542,957
\$0.89 Tax Rate on 2022 Preliminary Assessed Valuation as of January 1, 2022 of \$183,713,000 @ 95% collections will produce.....	\$1,554,139

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 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation 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, (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 a member of the armed forces or a first responder (as defined under Texas law), who was (i) killed in action; or (ii) fatally injured in the line of duty, is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. 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: Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never adopted a general homestead exemption.

Agricultural, Open Space, Timberland and Inventory Deferment: The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District 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 and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land.

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 Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or countywide basis.

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

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 collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is

delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District may waive penalties and interest on delinquent taxes only for the items specified in the Texas Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified herein as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below. See "TAX DATA" for a description of the District's current total tax rate.

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

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

limitations may apply for a temporary period. If a district qualifies as both a Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

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

The District: A determination as to a district's status as a Low Tax Rate District, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights In The Event Of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property 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 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, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS - Tax Collections 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.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by one or more officers of the District, substantially 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 underwriters, 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 updated information will include audited financial statements, if they are completed by the required time. If audited financial statements are not available by the required time, then the District shall provide unaudited financial statements to MSRB within such time and audited financial statements when same become 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 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 District's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31, in each year (commencing in 2023 for information related to the fiscal year ending in 2022) 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 no event will such notices be provided to the MSRB 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 exempt 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 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, 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; (15) incurrence of financial obligation of the District, if material; (16) default, event of acceleration, termination event, modification of terms, or other similar events under terms of a financial obligation of the District, any of which reflect financial difficulties. In addition, the District will provide the MSRB, in a timely manner, notice of any failure by the District to provide the required annual financial information described above under “Annual Reports” and any notices of material events in accordance with this section. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves 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 purposes of the event numbered (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under a 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 the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement of liquidation by a court or governmental authority having supervision or jurisdiction over substantially all the assets or business of the District. A “financial obligation” as described in (15) and (16) above means a (i) debt obligation; (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, and existing or planned obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities as to which a final official statement has been provided to MSRB consistent with the Rule.

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

During the past five years, the District has complied in all material respects with all continuing disclosure agreements made by it pursuant to the Rule.

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"; Burgess & Niple, 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 LLP

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 Burgess & Niple, 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 taxpayers 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 West, Davis and Company 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 Securities 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/ Dilipkumar B. Patel
Secretary, Board of Directors
Hays County Municipal Utility District No. 4

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PHOTOGRAPHS

The following photographs were taken in the District in February 2022. 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."

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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, 2021. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

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HAY COUNTY MUNICIPAL UTILITY DISTRICT No. 4

**FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2021**

WEST, DAVIS & COMPANY, LLP
Certified Public Accountants
Austin, Texas

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HAY COUNTY MUNICIPAL UTILITY DISTRICT No. 4
Annual Financial Report
For the Year Ended September 30, 2021

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS

COUNTY OF HAYS

I, Craig McCulloch, Vice-President of Hay 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 18th day of January 2022 its annual audit report for the fiscal year ended September 30, 2021, and that copies of the annual report have been filed in the district office, located at 816 Congress, Suite 1900, Austin, Texas.

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

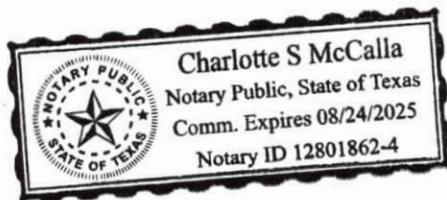
Date: January 18, 2022

By: Craig McCulloch

Sworn to and subscribed to before me this 18th day of January 2022.

Notary: Charlotte S McCalla

(Seal)



My Commission expires on: 8/24, 2025, Notary Public in and for the State of Texas.

HAY COUNTY MUNICIPAL UTILITY DISTRICT No. 4

Annual Financial Report
For the Year Ended September 30, 2021

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FINANCIAL SECTION

WEST, DAVIS & COMPANY

A LIMITED LIABILITY PARTNERSHIP

Independent Auditor's Report

Board of Directors
Hays County Municipal Utility District No. 4
Hays County, Texas

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the District at September 30, 2021, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Texas Commission on Environmental Quality Supplementary Information

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

The supplemental schedules required by the Texas Commission on Environmental Quality are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules required by the Texas Commission on Environmental Quality are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The other 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.

Walt, Davis & Company

Austin, Texas
December 31, 2021

HAYS COUNTY MUNICIPAL UTILITY DISTRICT No. 4

Management Discussion and Analysis For the Year Ended September 30, 2021

In accordance with Governmental Accounting Standards Board Statement 34 (“GASB 34”), the management of Hays County Municipal Utility District No. 4 (the “District”) offers the following discussion and analysis to provide an overview of the District’s financial activities for the year ended September 30, 2021. Since this information is designed to focus on current year’s activities, resulting changes, and currently known facts, it should be read in conjunction with the District’s financial statements that follow.

FINANCIAL HIGHLIGHTS

- **General Fund:** The fund balance at the end of the year was approximately \$330 thousand which was a decrease of \$4 thousand from the end of the previous year end. Revenue increased from \$449 thousand in the previous fiscal year to \$688 thousand in the current fiscal year primarily due to growth in the District.
- **Debt Service Fund:** The fund balance restricted for debt service increased from \$285 thousand at the end of the previous fiscal year to \$298 thousand at the end of the current fiscal year. Revenue increased from \$635 thousand to \$774 thousand due to growth in the District. This fund made bond principal payments of \$415 thousand and bond interest payments of \$339 thousand during the fiscal year.
- **Capital Projects Fund:** The fund balance remained unchanged at \$97 thousand
- **Governmental Activities:** On a Government-wide basis for governmental activities, the District had income in excess of expenses of approximately \$201 thousand. This excess of revenue over expenses is primarily the result of growth in the District.

OVERVIEW OF THE DISTRICT

Hays County Municipal Utility District No. 4 (the District), a political subdivision of the State of Texas, was created by an order of the Texas Commission on Environmental Quality on July 3, 2003, under the terms and conditions of Article XVI, Section 59 of the Texas Constitution and the Texas Water Code, Chapters 49 and 54. The District was created and organized for the purpose of constructing water, sewer, and drainage facilities and providing sewer services and recreational facilities to customers within its boundaries and in the surrounding area. The District’s first Board of Directors meeting was held on February 14, 2005.

HAYS COUNTY MUNICIPAL UTILITY DISTRICT No. 4

Management Discussion and Analysis For the Year Ended September 30, 2021

USING THIS ANNUAL REPORT

The District's reporting is comprised of five parts:

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

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

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

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

HAYS COUNTY MUNICIPAL UTILITY DISTRICT No. 4

Management Discussion and Analysis For the Year Ended September 30, 2021

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Summary Statement of Net Position

	Governmental Activities (in thousands)		Increase (Decrease)
	September 2021	September 2020	
Current and Other Assets	\$ 876	\$ 919	\$ (43)
Capital and Non-Current Assets	7,451	7,573	(122)
Total Assets	8,327	8,492	(165)
Current Liabilities	613	543	70
Long-Term Liabilities	8,377	8,813	(436)
Total Liabilities	8,990	9,356	(366)
Net Investment in Capital Assets	(1,264)	(1,464)	200
Restricted for Debt Service	271	263	8
Unrestricted	330	337	(7)
Total Net Position	\$ (663)	\$ (864)	\$ 201

The District's total assets were approximately \$8.3 million at the end of the current fiscal year. Of this amount, approximately \$792 thousand is accounted for by cash and short-term investments. The District had outstanding liabilities of approximately \$9.0 million. The District's unrestricted net assets, which can be used to finance day to day operations, totaled \$330 thousand.

HAYS COUNTY MUNICIPAL UTILITY DISTRICT No. 4

**Management Discussion and Analysis
For the Year Ended September 30, 2021**

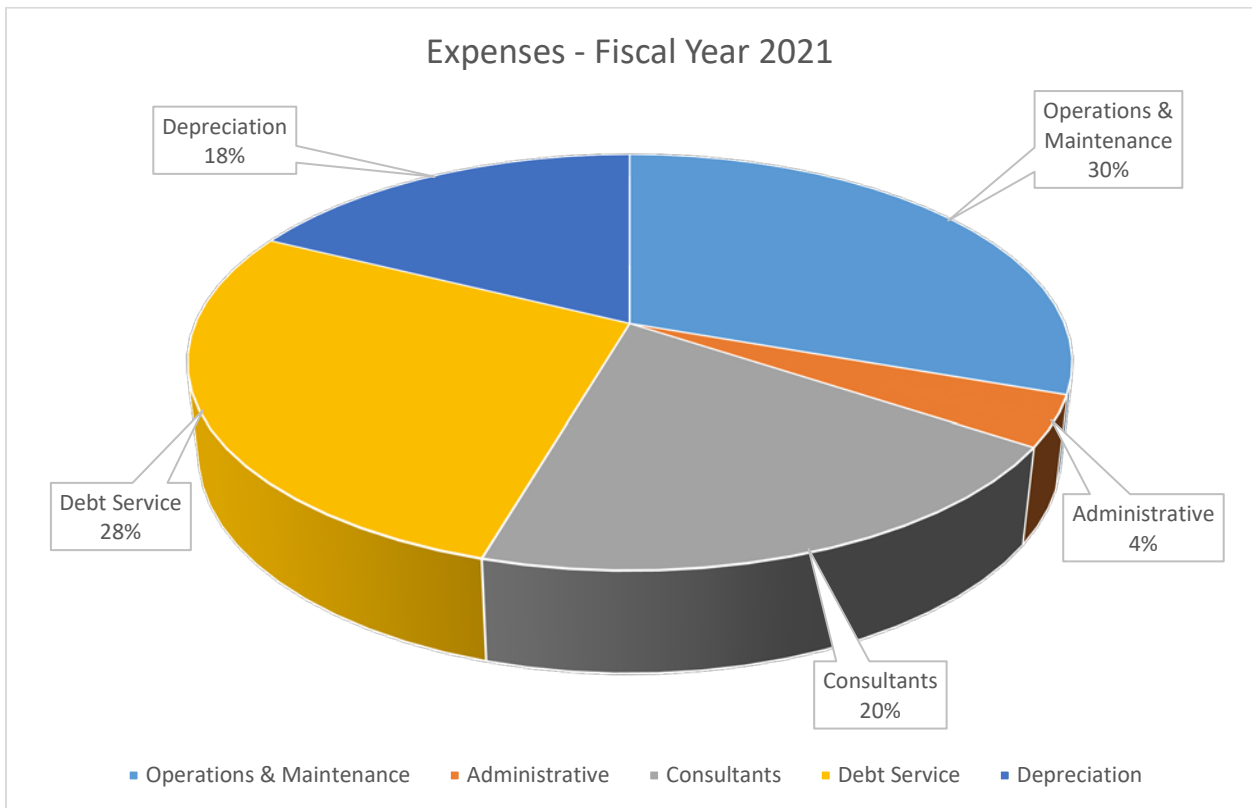
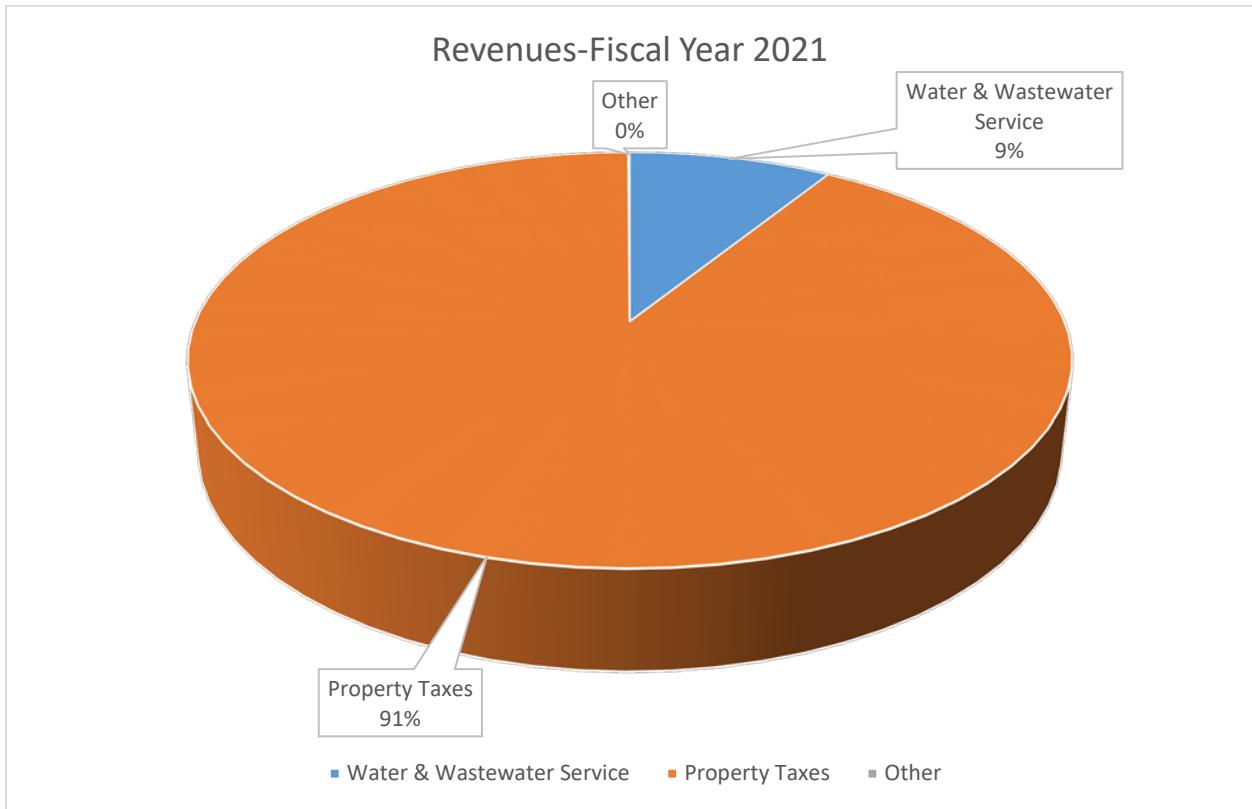
Summary Statement of Activities

	Governmental Activities (in thousands)		Increase (Decrease)
	2021	2020	
Water & Wastewater Service	\$ 129	\$ 102	\$ 27
Property Taxes	1,324	979	345
Other	1	9	(8)
Total Revenues	1,454	1,090	364
Operations & Maintenance	381	288	93
Administrative	49	30	19
Consultants	253	180	73
Debt Service	349	361	(12)
Depreciation	221	221	-
Total Expenses	1,253	1,080	173
Change in Net Position	201	10	191
Beginning Net Position	(864)	(874)	10
Ending Net Position	\$ (663)	\$ (864)	\$ 201

Revenues were approximately \$1.5 million for the year. Expenses were approximately \$1.3 million. Net position increased \$201 thousand from current year activities due to growth in the District. The following charts summarize the sources of revenue and areas of expenses.

HAYS COUNTY MUNICIPAL UTILITY DISTRICT No. 4

Management Discussion and Analysis For the Year Ended September 30, 2021



HAYS COUNTY MUNICIPAL UTILITY DISTRICT No. 4

**Management Discussion and Analysis
For the Year Ended September 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND LEVEL STATEMENTS

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

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

Summary Balance Sheet

	Governmental Funds (in thousands)		
	September 2021	September 2020	Increase (Decrease)
Cash and Investments	\$ 792	\$ 766	\$ 26
Accounts Receivable	72	63	9
Prepaid Costs	75	-	75
Total Assets	939	829	110
Accounts Payable	214	104	110
Unrealized Revenue	-	9	(9)
Total Liabilities	214	113	101
Nonspendable	5	-	5
Restricted for Debt Service	298	285	13
Restricted for Capital Projects	97	97	-
Unassigned	325	334	(9)
Total Fund Balances	725	716	9
Total Liabilities and Fund Balances	\$ 939	\$ 829	\$ 110

The General Operating Fund, which pays for daily operating expenses, has a balance of \$330 thousand, including nonspendable funds at the end of the current fiscal year. This is a decrease of \$4 thousand over the prior fiscal year.

HAYS COUNTY MUNICIPAL UTILITY DISTRICT No. 4

Management Discussion and Analysis For the Year Ended September 30, 2021

The **Debt Service Fund** increased by \$13 thousand during the current fiscal year. This fund remitted bond principal of \$415 thousand and bond interest of \$339 thousand during the year.

The **Capital Projects Fund** remained unchanged at \$97 thousand during the current fiscal year.

BUDGETARY HIGHLIGHTS

The Board of Directors adopted the fiscal year 2020 annual budget for the General Fund on September 10, 2020. The budget included revenues of \$649 thousand and expenditures of \$719 thousand. Actual revenue amounted to \$688 thousand and expenditures of \$692 thousand. More detailed information about the District's budgetary comparison is presented in the Required Supplementary Information section.

CAPITAL ASSETS

The District has invested \$8.7 million in infrastructure. A summary of these assets is listed below:

Summary of Capital Assets

	Governmental Activities (in thousands)		Increase (Decrease)
	September 2021	September 2020	
Water, Wastewater and Drainage	\$ 8,500	\$ 8,500	\$ -
Construction in Progress	224	209	15
Accumulated Depreciation	(1,357)	(1,136)	(221)
Total Capital Assets (Net)	\$ 7,367	\$ 7,573	\$ (206)

LONG TERM DEBT

The District issued no new unlimited tax bonds during the year. Bonded indebtedness of the District at year end was \$8.8 million. More detailed information about the District's long-term debt is presented in the Notes to the Basic Financial Statements.

HAYS COUNTY MUNICIPAL UTILITY DISTRICT No. 4

Management Discussion and Analysis For the Year Ended September 30, 2021

ECONOMIC FACTORS

The taxable assessed value of property within the District as of January 1, 2021, has been fixed by the Hays Central Appraisal District at \$175 million. The tax rates adopted by the District on September 7, 2021, for the coming fiscal year are \$0.346 for maintenance and operations and \$0.4884 for debt service. The District expects this to produce \$1.4 million in total property tax revenue for next year. The adopted budget for fiscal year 2022 projects an increase in the operating fund balance.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of McGinnis Lochridge, 1111 West 6th Street, Building B, Suite 400, Austin, Texas 78703.

BASIC FINANCIAL STATEMENTS

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

STATEMENT OF NET POSITION
AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2021

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTAL	ADJUSTMENTS	STATEMENT OF NET POSITION
ASSETS						
Cash	\$ 107,996	\$ -	\$ 97,895	\$ 205,891	\$ -	\$ 205,891
Temporary Investments	284,311	301,914	-	586,225	-	586,225
Taxes Receivable	15	21	-	36	-	36
Wastewater Revenue Receivable	660	-	-	660	-	660
Due From Other Funds	62,730	-	-	62,730	(62,730)	-
Due From Other Governments	8,509	-	-	8,509	-	8,509
Prepaid Costs	4,561	-	70,016	74,577	-	74,577
Water/WW/Drainage System (Net)	-	-	-	-	7,367,128	7,367,128
Total Assets	468,782	301,935	167,911	938,628	7,304,398	8,243,026
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Charges on Bond Refundings	-	-	-	-	83,571	83,571
Total Deferred Outflows	-	-	-	-	83,571	83,571
Total Assets and Deferred Outflows of Resources	\$ 468,782	\$ 301,935	\$ 167,911	\$ 938,628	\$ 7,387,969	\$ 8,326,597
LIABILITIES						
Accounts Payable	\$ 123,820	\$ -	\$ 11,486	\$ 135,306	\$ 27,085	\$ 162,391
Deposits	15,170	-	-	15,170	-	15,170
Due To Other Funds	-	3,427	59,303	62,730	(62,730)	-
Bonds Payable in less than one year	-	-	-	-	435,000	435,000
Bonds Payable in more than one year	-	-	-	-	8,377,274	8,377,274
Total Liabilities	138,990	3,427	70,789	213,206	8,776,629	8,989,835
DEFERRED INFLOWS OF RESOURCES						
Property Taxes	15	21	-	36	(36)	-
Total Deferred Inflows	15	21	-	36	(36)	-
FUND EQUITY						
Nonspendable	4,561	-	-	4,561	(4,561)	-
Restricted for Debt Service	-	298,487	-	298,487	(298,487)	-
Restricted for Capital Projects	-	-	97,122	97,122	(97,122)	-
Unassigned	325,216	-	-	325,216	(325,216)	-
Total Fund Equity	329,777	298,487	97,122	725,386	(725,386)	-
Total Liabilities, Fund Equity & Deferred Inflows of Resources	\$ 468,782	\$ 301,935	\$ 167,911	\$ 938,628		
NET POSITION						
Net Investment in Capital Assets					(1,264,453)	(1,264,453)
Restricted for Debt Service					271,423	271,423
Unrestricted					329,792	329,792
Total Net Position					\$ (663,238)	\$ (663,238)

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

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

<u>REVENUES</u>	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>	<u>ADJUST- MENTS</u>	<u>STATEMENT OF ACTIVITIES</u>
Wastewater Service	\$ 128,039	\$ -	\$ -	\$ 128,039	\$ -	\$ 128,039
Tap Connection Fees	1,310	-	-	1,310	-	1,310
Property Taxes	558,742	774,223	-	1,332,965	(9,059)	1,323,906
Interest	159	228	-	387	-	387
TOTAL REVENUES	688,250	774,451	-	1,462,701	(9,059)	1,453,642
 <u>EXPENDITURES</u>						
Current:						
Wastewater Plant Maintenance	119,788	-	-	119,788	-	119,788
Drip Field Maintenance	51,111	-	-	51,111	-	51,111
Lift Station Maintenance	43,359	-	-	43,359	-	43,359
Detention Pond Maintenance	26,098	-	-	26,098	-	26,098
Sludge Hauling	38,592	-	-	38,592	-	38,592
Laboratory Fees	20,068	-	-	20,068	-	20,068
Chemicals	18,636	-	-	18,636	-	18,636
Reuse Irrigation	10,858	-	-	10,858	-	10,858
Drainage System	3,882	-	-	3,882	-	3,882
Collection System Maintenance	6,041	-	-	6,041	-	6,041
Utilities	23,922	-	-	23,922	-	23,922
Billing Fees	19,056	-	-	19,056	-	19,056
Accounting Fees	18,000	-	-	18,000	-	18,000
Audit Fees	14,500	-	-	14,500	-	14,500
Engineering Fees	80,821	-	-	80,821	-	80,821
Financial Advisor Fees	2,500	-	-	2,500	-	2,500
Legal Fees	78,510	-	-	78,510	-	78,510
Management Fees	58,200	-	-	58,200	-	58,200
Tax Assessor/Collector	3,824	5,281	-	9,105	-	9,105
Director Salaries and Payroll Taxes	10,858	-	-	10,858	-	10,858
Insurance	11,144	-	-	11,144	-	11,144
Public Notices	925	-	-	925	-	925
Miscellaneous	16,900	-	-	16,900	-	16,900
Depreciation	-	-	-	-	220,615	220,615
Debt Service:						
Fiscal Agent's Fees	-	2,150	-	2,150	-	2,150
Interest	-	338,872	-	338,872	8,570	347,442
Principal	-	415,000	-	415,000	(415,000)	-
Capital Expenditures	14,576	-	-	14,576	(14,576)	-
TOTAL EXPENDITURES	692,169	761,303	-	1,453,472	(200,391)	1,253,081
 Excess (Deficit) of Revenues						
Over Expenditures	(3,919)	13,148	-	9,229	(9,229)	-
Change in Net Position	-	-	-	-	200,561	200,561
 Fund Balance/Net Position-Beginning	 333,696	 285,339	 97,122	 716,157	 (1,579,956)	 (863,799)
 Fund Balance/Net Position-Ending	 \$ 329,777	 \$ 298,487	 \$ 97,122	 \$ 725,386	 \$ (1,388,624)	 \$ (663,238)

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

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

1. Summary of Significant Accounting Policies

The combined financial statements of Hays County Municipal Utility District No. 4 (the District) have been prepared in conformity with accounting principles applicable to governmental units that are generally accepted in the United States of America. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Hays County Municipal Utility District No. 4, a political subdivision of the State of Texas, was created by the Texas Commission on Environmental Quality on July 3, 2003, pursuant to Chapters 54 and 49 of the Texas Water Code and Article XVI, Section 59 of the Texas Constitution. The District was created and organized for the purpose of constructing water, sewer, and drainage facilities and providing sewer and solid waste collections services to customers within its boundaries. The District is also authorized to provide park and recreational facilities.

The reporting entity of the District encompasses those activities and functions over which the District’s elected officials exercise significant oversight or control. The District is governed by a five-member Board of Directors (the Board) that has been elected by District residents or appointed by the Board. The funds and account groups presented in this report are within the oversight responsibility of the Board, in accordance with Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting. There are no component units of the District, nor is the District a component unit of any other entity.

A. Basis of Presentation, Basis of Accounting

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

Government-wide Financial Statements:

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

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

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

1. Summary of Significant Accounting Policies (continued)

Fund Financial Statements:

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

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

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

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

B. Measurement Focus, Basis of Accounting

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

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

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

1. Summary of Significant Accounting Policies (continued)

C. Fund Balances

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

Nonspendable – Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constraints imposed by external providers or imposed by constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned – For the General Fund, amounts that are appropriated by the Board or Board designee, if any, that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

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

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has not delegated the authority to assign fund balance.

D. Budget

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

E. Pensions

The District has not established a pension plan.

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

1. Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents

These include cash on deposit as well as investments with maturities of three months or less at the time of purchase.

G. 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.

H. Capital Assets

Capital assets, which include construction in progress and water and wastewater facilities, are reported in the Government-wide column in the Statement of Net Position. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Public domain (“infrastructure”) capital assets including water, wastewater and drainage systems, are capitalized as acquired. Items purchased or acquired are reported at historical cost. Contributed fixed assets are recorded as capital assets at estimated fair market value at the time received. 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 (excluding construction in progress) are depreciated using the straight-line method over their estimated useful lives of eight to fifty years.

I. Interfund Transactions

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

J. Long-Term Debt

Unlimited tax bonds, which have been issued to acquire capital assets, are to be repaid from property tax revenues of the District. In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts 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 expensed as incurred.

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

1. Summary of Significant Accounting Policies (continued)

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

K. Deferred Outflows and Inflows of Resources

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period. GASB Statement No. 63 became effective for fiscal years beginning after December 15, 2011, and has been implemented in the financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 is effective for fiscal years beginning after December 15, 2012, and has been implemented in these financial statements.

L. Recently Issued Accounting Pronouncements

In March 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of GASB Statement No. 88 is to improve the consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. This statement is effective for reporting periods beginning after June 15, 2018. GASB Statement No. 88 has been implemented in these financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2020. The objective of GASB Statement No. 89 is to enhance the relevance and comparability of information about capital assets and to simplify accounting for interest costs incurred before the end of a construction period. Under GASB Statement 89, interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements. Management is evaluating the effects that the full implementation of GASB Statement No. 89 will have on its financial statements for the year ended September 30, 2022.

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

2. Cash and Investments

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

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

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

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

The Act determines the types of investments which are allowable for the District. These include, with certain restriction, (1) obligations of the US Treasury, certain US Agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) banker's acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Not all assets meeting the definition of an investment are required to be reported at fair value. Including among excepted investments are certain investments held by 2a7-like external investment pools. As detailed below the District has invested funds in specific 2a7-like external investment pools that are valued at amortized cost and not subject to the fair value hierarchy levels.

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

2. Cash and Investments (continued)

The District's investments at year end are shown below.

<u>Investment</u>	<u>Fair Value</u> <u>Level</u>	<u>Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool	N/A	AAAm	1 day average	\$586,225

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

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

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

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

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

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

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

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

Investment Accounting Policy – The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

2. Cash and Investments (continued)

All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term “short-term” refers to investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

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

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

TexPool – The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor’s and operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

3. Property Taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll on January 1, 2020, upon which the levy for the 2020-21 fiscal year was based, was \$155,556,915. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2021, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.357 and \$0.493 per \$100 valuation, respectively, for a total of \$0.85 per \$100 valuation.

Current tax collections for the year ended September 30, 2021, were 100.0% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of September 30, 2021, property taxes receivable, totaled \$15 and \$21 for the General and Debt Service Funds, respectively.

4. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The receivable and payables are classified as “Due from Other Funds” or “Due to Other Funds.” The composition of interfund balances as of the end of the current fiscal year is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt Service	\$ 3,427
General	Capital Projects	59,303
Total		<u>\$ 62,730</u>

5. Capital Assets

The District has acquired \$8,709,198 in water and wastewater facilities. All of the District’s facilities are being depreciated over their estimated useful lives of 8-50 years. Depreciation in the amount of \$220,615 has been charged to system operations for the year and accumulated depreciation amounted to \$1,356,646 leaving a net book value of \$7,367,128.

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

5. Capital Assets

A summary of changes in capital assets follows:

	Balance			Balance
	9/30/2020	Additions	Deletions	9/30/2021
<u>Capital Assets:</u>				
Construction in Progress	\$ 208,661	14,576	-	\$ 223,237
Water and WW Facilities	8,500,537	-	-	8,500,537
Total	8,709,198	14,576	-	8,723,774
<u>Accumulated Depreciation:</u>				
Construction in Progress	-	-	-	-
Water and WW Facilities	(1,136,031)	(220,615)	-	(1,356,646)
Total	(1,136,031)	(220,615)	-	(1,356,646)
Total Capital Assets (Net)	\$ 7,573,167	(206,039)	-	\$ 7,367,128

6. Deferred Charges on Bond Refundings

	Balance			Balance
	9/30/2020	Additions	Deletions	9/30/2021
Deferred Charges on				
Bond Refundings	\$ 94,017	-	(10,446)	\$ 83,571

7. Bonds

At an election held within the District on February 5, 2005, voters authorized a total of \$26,280,000 in unlimited tax bonds for the purpose of purchasing, constructing, acquiring, owning, improving, extending, maintaining, repairing, or operating a waterworks system, a sanitary sewer system, a drainage and storm water system and recreational facilities for the District. The District's bonds are collateralized by the levy of an annual ad valorem tax against all taxable property within the District. The District has no direct borrowings or direct placement debt.

On October 3, 2013, the District issued \$3,000,000 of these bonds dated September 1, 2013. The bonds mature serially on September 1, in each year 2017 through 2038, in principal amounts set forth below. Bonds maturing on or after September 1, 2024, are subject to redemption, in whole or in part, on September 1, 2023, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. Bonds maturing in the years 2031, 2034 and 2038 are also subject to mandatory sinking fund redemption.

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

7. Bonds (continued)

On February 17, 2015, the District issued \$2,245,000 of these bonds dated February 1, 2015. The bonds mature serially on September 1, in each year 2015 through 2029, in principal amounts set forth below. Bonds maturing on or after September 1, 2017, are subject to redemption, in whole or in part, on September 1, 2016, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

On April 10, 2018, the District issued \$5,250,000 of these bonds dated April 1, 2018. The bonds mature serially on September 1, in each year 2019 through 2038, in principal amounts set forth below. Bonds maturing on or after September 1, 2026, are subject to redemption, in whole or in part, on September 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. Bonds maturing in 2038 are also subject to mandatory sinking fund redemption.

These bonds are described as follows:

<u>Issue</u>	<u>Original Amount</u>	<u>Installments (in thousands)</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Balance Outstanding</u>
Series 2013	\$ 3,000,000	\$75 to \$225	2038	3.000 - 4.630%	\$2,590,000
Series 2015	2,245,000	30 to 210	2029	2.476 - 2.476%	1,460,000
Series 2018	5,250,000	160 to 400	2038	3.000 - 5.000%	4,750,000

The change in the District's bonds during the year is as follows:

<u>Bonds:</u>	<u>Balance 9/30/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2021</u>
Unlimited Tax Bonds, Series 2013A	\$ 2,680,000	-	(90,000)	\$ 2,590,000
Unlimited Tax Refunding Bonds, Series 2015	1,610,000	-	(150,000)	1,460,000
Unlimited Tax Bonds, Series 2018	4,925,000	-	(175,000)	4,750,000
Bond Premium, Series 2015	12,996	-	(722)	12,274
Total Bond Indebtedness	\$ 9,227,996	\$ -	\$ (415,722)	\$ 8,812,274

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

7. Bonds (continued)

Debt Service Requirements

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

<u>Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 435,000	\$ 325,009	\$ 760,009
2023	460,000	310,210	770,210
2024	475,000	292,374	767,374
2025	510,000	275,861	785,861
2026	530,000	255,768	785,768
2027-2031	2,595,000	1,014,535	3,609,535
2032-2036	2,575,000	563,588	3,138,588
2037-2041	1,220,000	74,550	1,294,550
Totals	\$ 8,800,000	\$ 3,111,895	\$ 11,911,895

8. Risk Management

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

9. Contingencies

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

10. Estimates

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

11. Subsequent Events

The District has evaluated subsequent events as of December 31, 2021, the date the financial statements were available to be issued.

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

11. Subsequent Events (continued)

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

12. Reconciliation of Government-wide and Fund Financial Statements

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

Governmental Funds Total Fund Balances	\$ 725,386
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	7,367,128
Long-term liabilities (bonds payable) are not due and payable in the current period and, therefore, are not reported in the funds	(8,812,274)
Less: Deferred Charges on Bond Refundings	83,571
Interest is accrued on outstanding debt in the government-wide statements, whereas in the governmental funds, an interest expenditure is reported when made and not accrued in the funds	(27,085)
Deferred tax revenue is not available to pay for current period expenditures and, therefore, is deferred in the funds	36
Total Net Position	<u>\$ (663,238)</u>

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

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

Governmental Funds Excess of Revenues over Expenditures	\$ 9,229
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds	
Change in Deferred Tax Revenue	(9,059)
Governmental funds report capital outlays as expenditures however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense	
Capital Outlay	14,576
Depreciation Expense	(220,615)
Governmental funds report principal payments as expenditures however, in the Statement of Activities, these payments are not reported as operating expenses	
Bond Principal	415,000
Governmental funds do not report the change in accrued interest as an expenditure, however, in the Statement of Activities, this change in the amount accrued is reported as an expense	
Accrued Interest	(8,570)
Change in Net Position	<u>\$ 200,561</u>

REQUIRED SUPPLEMENTARY INFORMATION

HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GENERAL FUND
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>ORIGINAL BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
Wastewater Service	\$ 104,700	\$ 128,039	\$ 23,339
Tap Connection Fees	-	1,310	1,310
Property Taxes	540,555	558,742	18,187
Interest	3,500	159	(3,341)
TOTAL REVENUES	<u>648,755</u>	<u>688,250</u>	<u>39,495</u>
<u>EXPENDITURES</u>			
Current:			
Wastewater Plant Maintenance	119,600	119,788	(188)
Drip Field Maintenance	52,780	51,111	1,669
Lift Station Maintenance	28,500	43,359	(14,859)
Detention Pond Maintenance	24,432	26,098	(1,666)
Sludge Hauling	12,700	38,592	(25,892)
Laboratory Fees	30,000	20,068	9,932
Chemicals	10,000	18,636	(8,636)
Reuse Irrigation	7,500	10,858	(3,358)
Drainage System	5,000	3,882	1,118
Collection System Maintenance	17,500	6,041	11,459
Utilities	21,600	23,922	(2,322)
Billing Service Fees	16,650	19,056	(2,406)
Accounting Fees	18,000	18,000	-
Audit Fees	14,000	14,500	(500)
Engineering Fees	33,000	80,821	(47,821)
Financial Advisor Fees	2,000	2,500	(500)
Legal Fees	50,000	78,510	(28,510)
Management Fees	54,000	58,200	(4,200)
Tax Assessor/Collector	3,250	3,824	(574)
Director Salaries and Payroll Taxes	10,700	10,858	(158)
Insurance	10,500	11,144	(644)
Public Notices	350	925	(575)
Miscellaneous	13,925	16,900	(2,975)
Capital Expenditures	162,900	14,576	148,324
TOTAL EXPENDITURES	<u>718,887</u>	<u>692,169</u>	<u>26,718</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from Other Funds	97,900	-	(97,900)
Excess (Deficit) of Revenues over Expenditures	27,768	(3,919)	(31,687)
Fund Balance - Beginning of Year	333,696	333,696	-
Fund Balance - End of Year	<u>\$ 361,464</u>	<u>\$ 329,777</u>	<u>\$ (31,687)</u>

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

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TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

SUPPLEMENTARY INFORMATION

HAYS COUNTY MUNICIPAL UTILITY DISTRICT No. 4
INDEX OF SUPPLEMENTAL SCHEDULES REQUIRED
BY THE TEXAS WATER COMMISSION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

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

HAYS COUNTY MUNICIPAL UTILITY DISTRICT No. 4

**SERVICES AND RATES
SEPTEMBER 30, 2021**

1. Services Provided by the District:

Retail Wastewater	Drainage	Solid Waste
Parks	Irrigation	

2. Retail Rates Based on 5/8” Meter

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per first 1000 Gallons Over Minimum	Rate per add'l 1000 Gallons Over Minimum
Water:	(1)	(1)	N/A	N/A	N/A
Wastewater:	\$ 25.00	2,000	Y	\$ 2.90	No Limit
Surcharge:	-0-				

Total wastewater charges per 10,000 gallons usage: \$ 48.20
 The District employs winter averaging for wastewater usage.

(1) The West Travis County Public Utility Agency (the “PUA”) 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 PUA bills and collects payments for both water and wastewater. The PUA forwards wastewater payments to the District.

3. Retail Service Provided: Number of retail wastewater connections.

	Active Connections	Active ESFC	Inactive Connections (ESFC)
Single Family & Total	449	449	0

4. Total Water Consumption During the Fiscal Year:

Gallons pumped into system: N/A
 Gallons billed to customers: N/A

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

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

7. Location of District:

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

HAYS COUNTY MUNICIPAL UTILITY DISTRICT No. 4

SCHEDULE OF GENERAL FUND EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2021

Current:

Professional Fees

Audit	\$ 14,500
Engineering	80,821
Financial Advisor	2,500
Legal	78,510
	<hr/>
	176,331

Contracted Services

Accounting	18,000
Management	58,200
Tax Appraisal/Collection	3,824
	<hr/>
	80,024

Administrative

Director Salaries and Payroll Taxes	10,858
Insurance	11,144
Printing and Office Supplies	16,900
Legal Notices	925
	<hr/>
	39,827

Maintenance

Wastewater Plant Maintenance	119,788
Drip Field Maintenance	51,111
Lift Station Maintenance	43,359
Detention Pond Maintenance	26,098
Sludge Hauling	38,592
Laboratory Fees	20,068
Chemicals	18,636
Reuse Irrigation	10,858
Drainage System	3,882
Collection System Maintenance	6,041
Utilities	23,922
Billing Fees	19,056
	<hr/>
	381,411

Capital Expenditures:

Weed Mitigation

14,576

TOTAL EXPENDITURES

\$ 692,169

Number of persons employed by the District: -0-

HAYS COUNTY MUNICIPAL UTILITY DISTRICT No. 4

**TEMPORARY INVESTMENTS
SEPTEMBER 30, 2021**

FUNDS	IDENTIFICATION OR CERTIFICATE NUMBER	INTEREST RATE	MATURITY DATE	BALANCE AT END OF YEAR	ACCRUED INTEREST RECEIVABLE AT END OF YEAR
<u>GENERAL FUND</u>					
State Investment Pool	***0003	0.0300%	N/A	\$ 284,311	\$ -
Total				<u>284,311</u>	<u>-</u>
<u>DEBT SERVICE FUND</u>					
State Investment Pool	***0002	0.0300%	N/A	\$ 4,910	\$ -
State Investment Pool	***0001	0.0300%	N/A	<u>297,004</u>	<u>-</u>
Total				<u>301,914</u>	<u>-</u>
<u>CAPITAL PROJECTS FUND</u>					
None				<u>\$ -</u>	<u>\$ -</u>
Total				<u>-</u>	<u>-</u>
TOTALS - ALL FUNDS				<u>\$ 586,225</u>	<u>\$ -</u>

HAYS COUNTY MUNICIPAL UTILITY DISTRICT No. 4

**ANALYSIS OF TAXES LEVIED AND RECEIVABLE
YEAR ENDED SEPTEMBER 30, 2021**

	MAINTENANCE TAXES	DEBT SERVICE TAXES
	<u> </u>	<u> </u>
Taxes Receivable, Beginning of Year	\$ 14,642	\$ 26,842
2020 Original Levy	555,338	766,896
Adjustments	(14,424)	(25,014)
Add: Penalty & Interest	<u>3,201</u>	<u>5,520</u>
Total to be accounted for	<u>558,757</u>	<u>774,244</u>
Tax collections:		
Current year	540,962	743,162
Prior years	<u>17,780</u>	<u>31,061</u>
Total Collections	<u>558,742</u>	<u>774,223</u>
Taxes Receivable, End of Year	<u><u>\$ 15</u></u>	<u><u>\$ 21</u></u>

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Property Valuations:					
Land & Improvements	<u>155,556,915</u>	<u>111,506,647</u>	<u>110,300,237</u>	<u>103,273,620</u>	<u>84,064,367</u>
Tax Rates Per \$100 Valuation:					
Debt Service tax rates	\$ 0.4930	\$ 0.5500	\$ 0.5500	\$ 0.3826	\$ 0.4708
Maintenance tax rates	<u>0.3570</u>	<u>0.3000</u>	<u>0.3000</u>	<u>0.4644</u>	<u>0.3792</u>
Totals	<u>\$ 0.8500</u>	<u>\$ 0.8500</u>	<u>\$ 0.8500</u>	<u>\$ 0.8470</u>	<u>\$ 0.8500</u>
Original Tax Levy	<u>\$ 1,322,234</u>	<u>\$ 947,806</u>	<u>\$ 937,552</u>	<u>\$ 874,728</u>	<u>\$ 714,547</u>

HAYS COUNTY MUNICIPAL UTILITY DISTRICT No. 4

**GENERAL LONG TERM DEBT SERVICE REQUIREMENTS-BY YEARS
YEAR ENDED SEPTEMBER 30, 2021**

DUE DURING FISCAL YEARS ENDING	ANNUAL REQUIREMENTS FOR SERIES 2013		
	TOTAL PRINCIPAL DUE	TOTAL INTEREST DUE	TOTAL PRINCIPAL AND INTEREST DUE
2022	95,000	123,829	218,829
2023	100,000	120,266	220,266
2024	105,000	116,266	221,266
2025	115,000	111,961	226,961
2026	120,000	107,074	227,074
2027	125,000	101,794	226,794
2028	130,000	96,013	226,013
2029	140,000	90,000	230,000
2030	145,000	83,000	228,000
2031	155,000	75,750	230,750
2032	165,000	68,000	233,000
2033	175,000	59,750	234,750
2034	180,000	51,000	231,000
2035	195,000	42,000	237,000
2036	205,000	32,250	237,250
2037	215,000	22,000	237,000
2038	225,000	11,250	236,250
	<u>\$ 2,590,000</u>	<u>\$ 1,312,203</u>	<u>\$ 3,902,203</u>

HAYS COUNTY MUNICIPAL UTILITY DISTRICT No. 4

**GENERAL LONG TERM DEBT SERVICE REQUIREMENTS-BY YEARS
YEAR ENDED SEPTEMBER 30, 2021**

DUE DURING FISCAL YEARS ENDING	ANNUAL REQUIREMENTS FOR SERIES 2015		
	TOTAL PRINCIPAL DUE	TOTAL INTEREST DUE	TOTAL PRINCIPAL AND INTEREST DUE
2022	155,000	36,142	191,142
2023	165,000	32,306	197,306
2024	170,000	28,220	198,220
2025	180,000	24,012	204,012
2026	185,000	19,556	204,556
2027	195,000	14,978	209,978
2028	200,000	10,150	210,150
2029	210,000	5,198	215,198
2030	-	-	-
2031	-	-	-
2032	-	-	-
2033	-	-	-
2034	-	-	-
2035	-	-	-
2036	-	-	-
2037	-	-	-
2038	-	-	-
	<u>\$ 1,460,000</u>	<u>\$ 170,562</u>	<u>\$ 1,630,562</u>

HAYS COUNTY MUNICIPAL UTILITY DISTRICT No. 4

**GENERAL LONG TERM DEBT SERVICE REQUIREMENTS-BY YEARS
YEAR ENDED SEPTEMBER 30, 2021**

DUE DURING FISCAL YEARS ENDING	ANNUAL REQUIREMENTS FOR SERIES 2018		
	TOTAL PRINCIPAL DUE	TOTAL INTEREST DUE	TOTAL PRINCIPAL AND INTEREST DUE
2022	185,000	165,038	350,038
2023	195,000	157,638	352,638
2024	200,000	147,888	347,888
2025	215,000	139,888	354,888
2026	225,000	129,138	354,138
2027	235,000	122,388	357,388
2028	245,000	115,338	360,338
2029	260,000	107,988	367,988
2030	270,000	100,188	370,188
2031	285,000	91,750	376,750
2032	300,000	82,844	382,844
2033	315,000	73,094	388,094
2034	330,000	62,856	392,856
2035	345,000	51,719	396,719
2036	365,000	40,075	405,075
2037	380,000	27,300	407,300
2038	400,000	14,000	414,000
	<u>\$ 4,750,000</u>	<u>\$ 1,629,130</u>	<u>\$ 6,379,130</u>

HAYS COUNTY MUNICIPAL UTILITY DISTRICT No. 4

**GENERAL LONG TERM DEBT SERVICE REQUIREMENTS-BY YEARS
YEAR ENDED SEPTEMBER 30, 2021**

DUE DURING FISCAL YEARS ENDING	ANNUAL REQUIREMENTS FOR ALL SERIES		
	TOTAL PRINCIPAL DUE	TOTAL INTEREST DUE	TOTAL PRINCIPAL AND INTEREST DUE
2022	435,000	325,009	760,009
2023	460,000	310,210	770,210
2024	475,000	292,374	767,374
2025	510,000	275,861	785,861
2026	530,000	255,768	785,768
2027	555,000	239,160	794,160
2028	575,000	221,501	796,501
2029	610,000	203,186	813,186
2030	415,000	183,188	598,188
2031	440,000	167,500	607,500
2032	465,000	150,844	615,844
2033	490,000	132,844	622,844
2034	510,000	113,856	623,856
2035	540,000	93,719	633,719
2036	570,000	72,325	642,325
2037	595,000	49,300	644,300
2038	625,000	25,250	650,250
	<u>\$ 8,800,000</u>	<u>\$ 3,111,895</u>	<u>\$ 11,911,895</u>

HAYS COUNTY MUNICIPAL UTILITY DISTRICT No. 4

**ANALYSIS OF CHANGES IN GENERAL LONG TERM DEBT
YEAR ENDED SEPTEMBER 30, 2021**

	<u>SERIES 2013</u>	<u>SERIES 2015</u>	<u>SERIES 2018</u>	<u>SERIES Future</u>	<u>TOTALS</u>
Interest Rate	3.0 - 4.63%	2.476 - 2.476%	3.0 - 5.0%		
Dates Interest Payable	3/1 : 9/1	3/1 : 9/1	3/1 : 9/1		
Maturity Dates	2014-38	2015-29	2019-38		
Bonds at Beginning of Year	\$ 2,680,000	\$ 1,610,000	\$ 4,925,000	\$ -	\$ 9,215,000
Bonds Sold During the Year	-	-	-	-	-
Bonds Defeased During the Year	-	-	-	-	-
Retirements During the Year	<u>(90,000)</u>	<u>(150,000)</u>	<u>(175,000)</u>	-	<u>(415,000)</u>
Bonds at End of Year	<u>\$ 2,590,000</u>	<u>\$ 1,460,000</u>	<u>\$ 4,750,000</u>	<u>\$ -</u>	<u>\$ 8,800,000</u>
Interest Paid During the Year	\$ 126,979	\$ 39,856	\$ 172,037	\$ -	\$ 338,872
Change in Accrued Interest	(262)	(310)	(582)	-	(1,154)
Amortization of Bond Discount	<u>-</u>	<u>10,446</u>	<u>(722)</u>	-	<u>9,724</u>
Interest Expense	<u>\$ 126,717</u>	<u>\$ 49,992</u>	<u>\$ 170,733</u>	<u>\$ -</u>	<u>\$ 347,442</u>
Paying Agent	Amegy Bank	Regions Bank	Amegy Bank		
	<u>Tax Bonds</u>	<u>Refunding Bonds</u>			
Bond Authority:					
Amount Authorized By Voters	\$26,280,000	\$ 26,280,000			
Amount Issued	\$10,840,000	\$ 215,000			
Remaining To Be Issued	\$15,440,000	\$ 26,065,000			
Debt Service Fund Cash and Temporary Investments balances as of September 30, 2021					<u>\$ 301,914</u>
Average annual debt service payment (principal & interest) for remaining term of all debt					<u>\$ 700,700</u>

HAYS COUNTY MUNICIPAL UTILITY DISTRICT No. 4

**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND
FOR THE FIVE YEARS ENDED SEPTEMBER 30, 2021**

	AMOUNTS				
	2021	2020	2019	2018	2017
<u>REVENUES</u>					
Wastewater Service	\$ 128,039	\$ 101,162	\$ 98,220	\$ 103,829	\$ 109,054
Tap Connection Fees	1,310	910	1,290	1,110	1,290
Property Taxes	558,742	343,459	331,294	492,999	332,515
Interest	159	3,590	19,380	22,802	17,961
Transfers In	-	-	97,256	-	-
TOTAL REVENUES	688,250	449,121	547,440	620,740	460,820
<u>EXPENDITURES</u>					
Current:					
Wastewater Plant Maintenance	119,788	65,164	287,400	302,236	194,098
Drip Field Maintenance	51,111	61,432	-	-	-
Lift Station Maintenance	43,359	29,977	-	-	-
Detention Pond Maintenance	26,098	25,949	-	-	-
Sludge Hauling	38,592	16,653	-	-	-
Laboratory Fees	20,068	14,936	-	-	-
Chemicals	18,636	12,705	-	-	-
Reuse Irrigation	10,858	12,313	-	-	-
Drainage System	3,882	4,860	-	-	-
Collection System Maintenance	6,041	2,004	-	-	-
Utilities	23,922	24,802	22,170	20,834	20,360
Billing Fees	19,056	17,420	17,778	20,050	16,676
Accounting Fees	18,000	3,000	-	-	-
Audit Fees	14,500	14,000	13,500	13,000	12,500
Engineering Fees	80,821	29,610	13,385	26,158	31,367
Financial Advisor Fees	2,500	2,500	2,500	2,500	2,500
Legal Fees	78,510	80,140	35,115	42,704	19,386
Management Fees	58,200	51,334	49,800	49,800	49,800
Tax Assessor/Collector	3,824	2,341	2,245	3,334	2,445
Director Salaries and Payroll Taxes	10,858	7,751	5,006	2,907	2,530
Insurance	11,144	9,220	8,873	10,455	10,106
Miscellaneous	17,825	4,849	1,525	5,810	2,516
Capital Expenditures	14,576	5,453	170,906	17,249	-
TOTAL EXPENDITURES	692,169	498,413	630,203	517,037	364,284
Excess (Deficit) of					
Revenues over Expenditures	\$ (3,919)	\$ (49,292)	\$ (82,763)	\$ 103,703	\$ 96,536
Active WW Connections	449	243	232	236	236

PERCENT OF REVENUES

2021	2020	2019	2018	2017
19%	23%	18%	17%	24%
0%	0%	0%	0%	0%
81%	76%	61%	79%	72%
0%	1%	4%	4%	4%
0%	0%	18%	0%	0%
100%	100%	100%	100%	100%
17%	15%	52%	49%	42%
7%	14%	0%	0%	0%
6%	7%	0%	0%	0%
4%	6%	0%	0%	0%
6%	4%	0%	0%	0%
3%	3%	0%	0%	0%
3%	3%	0%	0%	0%
2%	3%	0%	0%	0%
1%	1%	0%	0%	0%
1%	0%	0%	0%	0%
3%	6%	4%	3%	4%
3%	4%	3%	3%	4%
3%	1%	0%	0%	0%
2%	3%	2%	2%	3%
12%	7%	2%	4%	7%
0%	1%	0%	0%	1%
11%	18%	6%	7%	4%
8%	11%	9%	8%	11%
1%	1%	0%	1%	1%
2%	2%	1%	0%	1%
2%	2%	2%	2%	2%
3%	1%	0%	1%	1%
2%	1%	31%	3%	0%
101%	111%	115%	83%	79%
-1%	-11%	-15%	17%	21%

HAYS COUNTY MUNICIPAL UTILITY DISTRICT No. 4

**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - DEBT SERVICE FUND
FOR THE FIVE YEARS ENDED SEPTEMBER 30, 2021**

	AMOUNTS				
	2021	2020	2019	2018	2017
<u>REVENUES</u>					
Property Taxes	\$ 774,223	\$ 629,674	\$ 607,389	\$ 406,162	\$ 412,838
Interest	228	5,562	18,824	11,467	4,353
Bond Proceeds	-	-	-	190,129	-
TOTAL REVENUES	<u>774,451</u>	<u>635,236</u>	<u>626,213</u>	<u>607,758</u>	<u>417,191</u>
<u>EXPENDITURES</u>					
Tax Assessor/Collector	5,281	4,291	4,039	2,713	2,985
Debt Service					
Fiscal Agent Fees	2,150	1,500	-	-	250
Interest	338,872	352,598	366,669	258,014	191,754
Principal	415,000	400,000	380,000	210,000	205,000
TOTAL EXPENDITURES	<u>761,303</u>	<u>758,389</u>	<u>750,708</u>	<u>470,727</u>	<u>399,989</u>
Excess (Deficit) of Revenues over Expenditures	<u>\$ 13,148</u>	<u>\$ (123,153)</u>	<u>\$ (124,495)</u>	<u>\$ 137,031</u>	<u>\$ 17,202</u>

PERCENT OF REVENUES

2021	2020	2019	2018	2017
100%	99%	97%	67%	99%
0%	1%	3%	2%	1%
0%	0%	0%	31%	0%
100%	100%	100%	100%	100%
1%	1%	1%	0%	1%
0%	0%	0%	0%	0%
44%	56%	59%	42%	46%
54%	63%	61%	35%	49%
98%	119%	120%	77%	96%
2%	-19%	-20%	23%	4%

HAYS COUNTY MUNICIPAL UTILITY DISTRICT No. 4
BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
YEAR ENDED SEPTEMBER 30, 2021

DISTRICT MAILING ADDRESS: c/o McGinnis Lochridge, 1111 West 6th Street, B-400, Austin, TX 78703

DISTRICT BUSINESS TELEPHONE NUMBER: (512) 495-6000

LIMITS ON FEES OF OFFICE THAT A DIRECTOR MAY RECEIVE DURING A FISCAL YEAR: \$7,200

NAMES	TERM OF OFFICE	SALARY FYE 9/30/21	REIMBURSEMENTS FYE 9/30/21	TITLE AT YEAR END
<u>DIRECTORS</u>				
Brent Hammond	Elected 5/18-5/22	\$ 1,950	\$ -	President
Craig McColloch	Elected 5/20-5/24	2,250	-	Vice-President
Dilipkumar Patel	Elected 5/20-5/24	1,950	-	Secretary
Brian Hardin	Elected 5/20-5/24	1,800	-	Treasurer
Michelle Diegle	Appointed 8/19-5/22	1,950	-	Asst Sec/Treas.
Payments to Retiring Directors		-	-	
		<u>\$ 9,900</u>	<u>\$ -</u>	

CONSULTANTS

McGinnis Lochridge	\$ 78,542	\$ -	Attorneys
CMA Engineering	\$ 150,837	\$ -	Engineers
Inframark	\$ 290,702	\$ -	Manager
Maxwell Locke & Ritter	\$ 14,500	\$ -	Auditor
SAMCO Capital Markets	\$ 2,500	\$ -	Financial Advisor

OTHER INFORMATION

HAYS COUNTY MUNICIPAL UTILITY DISTRICT No. 4

PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2021

Taxpayer	Taxable Assessed Value	% of 2021 Certified Taxable Assessed Value
Anthem Ledge Stone Apartment Homes, LLC	\$ 40,036,015	22.79%
AC LedgeStone Owner, LLC	25,397,320	14.46%
Four Star Blvd, LLC	3,000,000	1.71%
Shops at LedgeStone, LLC	2,015,450	1.15%
290 East Bush, INC	1,896,221	1.08%
Four Star Blvd, LLC	1,064,560	0.61%
Velocity Credit Union	846,580	0.48%
290 East Bush, INC	828,870	0.47%
Sunnyvale Landco, LLC	818,660	0.47%
Individual	815,210	0.46%
Total	\$ 76,718,886	43.68%

ASSESSED VALUE BY CLASSIFICATION
SEPTEMBER 30, 2021

Type of Property	2021 Taxable Assessed Value
Land	\$ 34,652,543
Improvements	149,853,395
Personal Property	1,327,660
Total Assessed Valuation	185,833,598
Exemptions	10,182,763
Total Taxable Appraised Valuation	\$ 175,650,835

Financial Advisory Services
Provided By:

