OFFICIAL STATEMENT
Dated December 15, 2022

DELIVERY OF THE BONDS IS SUBJECT TO THE OPINIONS OF BOND COUNSEL THAT THE BONDS BE VALID OBLIGATIONS OF THE DISTRICT AND OF THE OPINION OF SPECIAL TAX COUNSEL TO THE DISTRICT, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE THEREOF, SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS.

Rating:
S&P: "AA" (Stable Outlook)/Insured
Moody's: "BBB"/Uninsured
Insurance: BAM
(See "MUNICIPAL BOND RATING AND INSURANCE")

NEW ISSUE – Book-Entry-Only

THE DISTRICT WILL **NOT** DESIGNATE THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS."

$4,740,000
HEADWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY
(A Political Subdivision of the State of Texas Located in Hays County, Texas)
UNLIMITED TAX BONDS, SERIES 2023

Dated: January 17, 2023 **Due: August 15, as shown on the inside cover page**
Interest to accrue from the date of Initial Delivery (as defined below)

The bonds described above (the "Bonds") are obligations solely of Headwaters Municipal Utility District of Hays County (the "District") and are not obligations of the State of Texas ("State"), Hays County (the "County"), the City of Dripping Springs (the "City"), Dripping Springs Independent School District or any entity other than the District.

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 as to rate or amount, levied against all taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See "RISK FACTORS."

PAYMENT TERMS . . .Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially BOKF, NA, Dallas, Texas, (the "Paying Agent" or the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds will accrue from the date of Initial Delivery and will be payable each August 15 and February 15, commencing August 15, 2023, until maturity or prior redemption. Interest on the Bonds will be payable on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued only in fully registered form in denominations of $5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity as provided on the inside cover page.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."

PURPOSE . . . The proceeds of the Bonds will be used to redeem the 2022 BAN (as hereinafter defined). Proceeds of the 2022 BAN and proceeds of the Bonds will be used to finance the following projects: (i) Phase 3 wastewater treatment plant expansion, (ii) drip irrigation fields, (iii) engineering, and (iv) contingencies. The remaining Bond proceeds will be used to: (i) capitalize approximately five months' interest requirements on the Bonds; (ii) pay certain engineering costs; and (iii) to pay issuance costs associated with the Bonds. The District's Series 2022 Bond Anticipation Note (the "2022 BAN") served as interim funding for the aforementioned items and will be repaid with interest from proceeds of the Bonds.

BAM BUILD AMERICA MUTUAL

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM" or the "Bond Insurer") (see "BOND INSURANCE").

CUSIP PREFIX: 42211H
MATURITY SCHEDULE
SEE INSIDE COVER PAGE

LEGALITY . . . The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Initial Bond by the Attorney General of Texas and McLean & Howard, L.L.P., Bond Counsel, Austin, Texas, and McCall, Parkhurst and Horton L.L.P., Dallas, Texas, Special Tax Counsel (see "APPENDIX B – Form of Bond Counsel's Opinion" and "APPENDIX C – Form of Special Tax Counsel's Opinion).

DELIVERY . . . Delivery of the Bonds is expected through the facilities of DTC on January 17, 2023 ("Initial Delivery").

MATURITY SCHEDULE

8/15 Maturity	Principal Amount	Interest Rate	Initial Yield[a]		CUSIP Numbers[b]
2024	$ 50,000	6.000%	3.000%		42211HGT0
2025	105,000	6.000%	3.050%		42211HGU7
2026	110,000	6.000%	3.100%		42211HGV5
2027	120,000	5.000%	3.150%		42211HGW3
2028	125,000	5.000%	3.250%		42211HGX1
2029	130,000	4.000%	3.350%	[c]	42211HGY9
***	***	***	***		***
2038	215,000	4.000%	4.100%		42211HHH5
2039	225,000	4.000%	4.150%		42211HHJ1

$285,000 4.000% Term Bonds due August 15, 2031 Priced to Yield 3.500%[a][c] – 42211HHA0[b]
$320,000 4.000% Term Bonds due August 15, 2033 Priced to Yield 3.700%[a][c] – 42211HHC6[b]
$350,000 4.000% Term Bonds due August 15, 2035 Priced to Yield 3.900%[a][c] – 42211HHE2[b]
$390,000 4.000% Term Bonds due August 15, 2037 Priced to Yield 4.000%[a] – 42211HHG7[b]
$490,000 4.000% Term Bonds due August 15, 2041 Priced to Yield 4.200%[a] – 42211HHL6[b]
$545,000 4.000% Term Bonds due August 15, 2043 Priced to Yield 4.250%[a] – 42211HHN2[b]
$605,000 4.125% Term Bonds due August 15, 2045 Priced to Yield 4.300%[a] – 42211HHQ5[b]
$675,000 4.125% Term Bonds due August 15, 2047 Priced to Yield 4.350%[a] – 42211HHS1[b]

(Interest to accrue from the date of Initial Delivery)

(a) Initial yield represents the initial offering yield to the public, which has been established by the Initial Purchaser for offers to the public and which subsequently may be changed.

(b) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions, including but not limited to, a refunding in whole or in part of such maturity, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds. None of the District, the Financial Advisor nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

(c) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 15, 2028, the first optional redemption date for such Bonds, at a redemption price of par, plus accrued interest to the redemption date.

REDEMPTION PROVISIONS . . . The District reserves the right to redeem, prior to maturity, in integral multiples of $5,000, those Bonds maturing on and after August 15, 2029 in whole or from time to time in part, on August 15, 2028, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS – Redemption." Additionally, Term Bonds maturing on August 15 in the years 2031, 2033, 2035, 2037, 2041, 2043, 2045 and 2047 are subject to mandatory sinking fund redemption. See "THE BONDS – Mandatory Sinking Fund Redemption."

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

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The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "FINAL OFFICIAL STATEMENT" of the District with respect to the Bonds, as that term is defined in the Rule.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the District 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. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein 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 other matters described.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND, CONSEQUENTLY, HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, OR EXEMPTED, SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NEITHER THE DISTRICT NOR THE FINANCIAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

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The cover and inside cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

SALE AND DISTRIBUTION OF THE BONDS

AWARD OF THE BONDS . . . After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") bearing the interest rates shown on the inside cover page hereof, at a price of 97.000% of the par value thereof which resulted in a net effective interest rate of 4.276800% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the "IBA" method).

PRICES AND MARKETABILITY . . . The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser. Additionally, there are no assurances that if a secondary market for the Bonds were to develop, that it will not be disrupted by negative events including, but not limited to, the current COVID-19 pandemic. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

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 United States 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 and the Bonds have not 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 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 RATING AND INSURANCE

The Bonds are expected to be rated "AA" (Stable Outlook) by S&P Global Ratings ("S&P") by virtue of a municipal bond insurance policy issued by Build America Mutual Assurance Company ("BAM" or the "Bond Insurer") at the time of delivery of the Bonds. See "BOND INSURANCE" and "BOND INSURANCE RISKS." The Bonds have been rated "BBB" by S&P without regard to credit enhancement.

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OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

THE ISSUER... Headwaters Municipal Utility District of Hays County (the "District"), a political subdivision of the State of Texas, was created by order of the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission"), effective August 8, 2007 and confirmed pursuant to an election held within the District on November 6, 2007. The District was created for the purpose of providing, operating, and maintaining facilities to control storm water, distribute potable water, collect and treat wastewater and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution, as amended. The District also has road powers under Section 52, Article III of the Texas Constitution. See "THE DISTRICT – General."

LOCATION... The District is located in Hays County, Texas. A portion of the District is located within the corporate limits of the City of Dripping Springs, Texas ("City"), and the remainder of the District is located within the extraterritorial jurisdiction of the City. The District is located within the boundaries of the Dripping Springs Independent School District. All lands within the District are located on the north side of State Highway 290. See "THE DISTRICT – Location" and "LOCATION MAP."

THE DEVELOPER .... WFC Headwaters Owner VII, L.P., a Delaware limited partnership ("Residential Developer") is the developer of approximately 1,035 acres of real property within the District being developed for single family residential purposes (the "Residential Tract"). WFC Headwaters GP VII, L.L.C., a Delaware limited liability company, is the General Partner of the Residential Developer, and WFC Headwaters Holdings JV VII, L.L.C., a Delaware limited liability company, is the limited partner of the Residential Developer.

Approximately 168 acres within the District (the "Commercial Tract") are being developed for commercial and residential purposes by Oryx Land Holdings, LLC, a Texas limited liability company ("Commercial Developer"). The Commercial Developer sold a 9.629 to Ridge at Headwaters, Ltd. and constructed of a 168-unit market rate multifamily project on this site (the "Ridge Apartments") has been completed. The Commercial Developer has completed construction of trunk utility facilities and access roads to serve the Ridge Apartments site and the remainder of the Commercial Tract and has contracted with the District for utility services and for future facilities reimbursements. See "THE DEVELOPERS – Description of Developers" and "THE DISTRICT – Current Status of Development."

DEVELOPMENT WITHIN THE DISTRICT............. Of the approximately 1,503 acres within the District, approximately 381 acres (out of 451 developable acres) have been developed by the Residential Developer with utility facilities as a single-family residential subdivision. The District also expects the Commercial Tract within the District to be developed for commercial and residential purposes by the Commercial Developer. As of October 1, 2022, the development in the District consisted of 529 completed homes (of which 508 were occupied, 21 were complete and available for purchase), 120 homes under construction and 179 vacant developed lots within the Residential Tract. A 168-unit multifamily complex has also been completed by the Ridge at Headwaters, Ltd., which purchased 9.629 acres within the Commercial Tract for the Ridge Apartments from the Commercial Developer. As of October 1, 2022, 160 of the 168 multi-family units have been leased.

Following the issuance of the Bonds, the District will still owe the Residential Developer approximately $33,064,267 for water, wastewater and drainage facilities which have been constructed to date. See "THE DISTRICT – Current Status of Development."

HOMEBUILDERS.. As of October 1, 2022, there are currently several homebuilders in the District, including David Weekley Homes, Taylor Morrison Homes, Ashton Woods and Newmark Homes. The homes generally range in price from approximately $600,000 to $1,100,000. See "THE DEVELOPERS – Homebuilders within the District."

THE BONDS

DESCRIPTION.. The Bonds in the aggregate principal amount of $4,740,000 mature as serial Bonds in varying amounts on August 15 of each year from 2024 through 2029, 2038 and 2039 and as Term Bonds maturing on August 15 in the years 2031, 2033, 2035, 2037, 2041, 2043, 2045 and 2047 in the principal amounts set forth on the inside cover page hereof. Interest accrues from the date of Initial Delivery and is payable August 15, 2023 and each February 15 and August 15 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of $5,000 for any one maturity. See "THE BONDS – General Description."

REDEMPTION.. The District reserves the right to redeem, prior to maturity, in integral multiples of $5,000, those Bonds maturing on and after August 15, 2029 in whole or from time to time in part, on August 15, 2028, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS – Redemption." Additionally, Term Bonds maturing on August 15 in the years 2031, 2033, 2035, 2037, 2041, 2043, 2045 and 2047 are subject to mandatory sinking fund redemption. See "THE BONDS – Mandatory Sinking Fund Redemption."

SOURCE OF PAYMENT....................................... Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not legally limited as to rate or amount. See "TAXING PROCEDURES." **The Bonds are obligations solely of the District and are not obligations of the City of Dripping Springs; Dripping Springs Independent School District; Hays County, Texas; the State of Texas; or any entity other than the District.** See "THE BONDS – Source of and Security for Payment."

PAYMENT RECORD... The Bonds constitute the eighth installment of bonds issued by the District. The District has never defaulted on the payment of its outstanding debt. See "FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized but Unissued."

AUTHORITY FOR ISSUANCE............................. The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas including Chapters 49 and 54 of the Texas Water Code, a bond election held within the District on November 6, 2007, the approving order of the TCEQ, and an order (the "Bond Order") adopted by the Board of Directors of the District on the date of the sale of the Bonds. See "THE BONDS – Authority for Issuance."

USE OF PROCEEDS.. The proceeds of the Bonds will be used to redeem the 2022 BAN. Proceeds of the 2022 BAN and proceeds of the Bonds will be used to finance the following projects: (i) Phase 3 wastewater treatment plant expansion, (ii) drip irrigation fields, (iii) engineering, and (iv) contingencies. The remaining Bond proceeds will be used to: (i) capitalize approximately five months' interest requirements on the Bonds; (ii) pay certain engineering costs; and (iii) to pay issuance costs associated with the Bonds. The 2022 BAN served as interim funding for the aforementioned items and will be repaid with interest from proceeds of the Bonds.

The estimated use and distribution of Bond proceeds is set forth below. Of the proceeds to be received from the sale of the Bonds, $4,047,627 is estimated to be required for construction costs, and $692,373 is estimated to be required for non-construction costs. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

BONDS AUTHORIZED BUT UNISSUED	At an election held within the District on November 6, 2007, the voters within the District approved the issuance of $64,700,000 in bonds for water, wastewater and drainage system facilities. After the sale of the Bonds, the District will have $50,610,000 remaining in authorized but unissued utility bonds. See "FINANCIAL STATEMENT – Outstanding Bonds" and "THE BONDS – Future Debt."
MUNICIPAL BOND RATING AND INSURANCE	The Bonds are expected to be rated "AA" (Stable Outlook) by S&P Global Ratings ("S&P") by virtue of a municipal bond insurance policy issued by Build America Mutual Assurance Company ("BAM" or the "Bond Insurer") at the time of delivery of the Bonds. See "BOND INSURANCE" and "BOND INSURANCE RISKS." The Bonds have been rated "BBB" by S&P without regard to credit enhancement.
BOND COUNSEL AND GENERAL COUNSEL	McLean & Howard, L.L.P., Austin, Texas (see "APPENDIX C – Form of Bond Counsel's Opinion").
SPECIAL TAX COUNSEL AND DISCLOSURE COUNSEL	McCall, Parkhurst and Horton L.L.P., Austin, Texas
FINANCIAL ADVISOR	Specialized Public Finance Inc., Austin, Texas
ENGINEER	Malone Wheeler, Inc. (the "Engineer"), Austin, Texas

RISK FACTORS

The purchase and ownership of the Bonds involve certain risk factors and all prospective purchasers are urged to examine carefully the Official Statement, including particularly the section captioned "RISK FACTORS," with respect to investment in the Bonds.

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SELECTED FINANCIAL INFORMATION
(Unaudited as of November 17, 2022)

2020 Certified Taxable Assessed Valuation	$	125,070,233	(a)
2021 Certified Taxable Assessed Valuation	$	192,906,919	(a)
2022 Certified Taxable Assessed Valuation	$	336,731,315	(a)
Estimated Taxable Assessed Valuation (as of October 1, 2022)	$	410,899,000	(b)
Gross Direct Debt Outstanding	$	33,235,000	(c)
Estimated Overlapping Debt		10,460,641	(d)
Gross Direct Debt Outstanding and Estimated Overlapping Debt	$	43,695,641	
Ratios of Gross Direct Debt Outstanding to:			
2022 Certified Taxable Assessed Valuation		9.87%	
Estimated Taxable Assessed Valuation (as of October 1, 2022)		8.09%	
Ratios of Gross Direct Debt Outstanding and Estimated Overlapping Debt to:			
2022 Certified Taxable Assessed Valuation		12.98%	
Estimated Taxable Assessed Valuation (as of October 1, 2022)		10.63%	
2022 Tax Rate:			
Debt Service	$	0.6250	
Maintenance & Operation		0.2750	
Total	$	0.9000	(e)
General Operating Fund Balance as of November 17, 2022 (unaudited)	$	1,523,451	
Debt Service Fund Balance as of November 17, 2022 (unaudited)	$	1,199,345	(f)
Capital Project Fund Balance as of November 17, 2022 (unaudited)	$	4,167,118	
Average Annual Debt Service Requirement on the Bonds and outstanding debt (2022-2047)	$	1,933,852	(c)
Maximum Annual Debt Service Requirement on the Bonds and outstanding debt (2042)	$	2,284,171	(c)
Tax Rates Required to Pay Average Annual Debt Service (2022-2047) at a 95% Collection Rate Based upon 2022 Certified Taxable Assessed Valuation	$	0.6046	
Tax Rates Required to Pay Maximum Annual Debt Service (2042) at a 95% Collection Rate Based upon 2022 Certified Taxable Assessed Valuation	$	0.7141	

Number of Active Connections as of October 1, 2022:		
Total Developed Single Family Lots	828	
Single Family Homes– Completed & Occupied	508	
Single Family Homes – Completed & Unoccupied	21	
Single Family Homes – Under Construction	120	
Single Family – Vacant Developed Lots	179	
Estimated Population as of October 1, 2022	1,778	(g)

(a) Assessed valuation of the District as certified by the Hays Central Appraisal District ("HCAD"). See "TAXING PROCEDURES."
(b) The Estimated Taxable Assessed Valuation (as of October 1, 2022) as provided by HCAD, is included solely for purposes of illustration. No taxes will be levied on this valuation unless it is certified by HCAD.
(c) Includes the Bonds and the District's $5,210,000 Unlimited Tax Bonds, Series 2022 which will be delivered on December 20, 2022. Excludes the 2022 BAN which will be repaid with proceeds of the Bonds. See "DEBT SERVICE REQUIREMENTS."
(d) See "FINANCIAL STATEMENTS – Estimated Overlapping Debt."
(e) The District levied a 2022 total tax rate of $0.9000. See "Table 9 – District Tax Rates."
(f) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the District's Debt Service Fund.
(g) Based upon 3.5 residents per completed and occupied single family home.

OFFICIAL STATEMENT
Relating to

$4,740,000
HEADWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY
(A Political Subdivision of the State of Texas Located in Hays County, Texas)
UNLIMITED TAX BONDS, SERIES 2023

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the Headwaters Municipal Utility District of Hays County (the "District"), a political subdivision of the State of Texas (the "State"), of its $4,740,000 Unlimited Tax Bonds, Series 2023 (the "Bonds").

The Bonds are issued pursuant to an order adopted by the Board of Directors of the District on the date of the sale of the Bonds (the "Bond Order"), pursuant to Article XVI, Section 59 of the Constitution and the general laws of the State, including Chapters 49 and 54 of the Texas Water Code, as amended; a bond election held within the District on November 3, 2015; and the approving order of the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission").

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 c/o McLean & Howard, L.L.P., 4301 Bull Creek Road, Suite 150, Austin, Texas 78731 or from the District's Financial Advisor, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas, 78746, upon payment of reasonable copying, mailing and handling charges.

THE BONDS

GENERAL DESCRIPTION . . . The Bonds are dated January 17, 2023 and will mature on August 15 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page hereof. Interest on the Bonds will accrue from the date of Initial Delivery, will be paid on August 15, 2023 and each February 15 and August 15 thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is BOKF, NA, Dallas, Texas (the "Paying Agent" or "Paying Agent/Registrar").

REDEMPTION . . . The District reserves the right, at its option, to redeem the Bonds maturing on and after August 15, 2029, prior to their scheduled maturities, in whole or in part, in integral multiples of $5,000 on August 15, 2028, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

MANDATORY SINKING FUND REDEMPTION . . . The Bonds maturing on August 15 in the years 2031, 2033, 2035, 2037, 2041, 2043, 2045 and 2047 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to their stated maturity in the following amounts, on the following dates and at a price of par to the date of redemption:

Term Bond Due August 15, 2031		Term Bond Due August 15, 2033	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
August 15, 2030	$ 140,000	August 15, 2032	$ 155,000
August 15, 2031*	145,000	August 15, 2033*	165,000

____
*Stated Maturity.

Term Bond Due August 15, 2035		Term Bond Due August 15, 2037	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
August 15, 2034	$ 170,000	August 15, 2036	$ 190,000
August 15, 2035*	180,000	August 15, 2037*	200,000

Term Bond Due August 15, 2041		Term Bond Due August 15, 2043	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
August 15, 2040	$ 240,000	August 15, 2042	$ 265,000
August 15, 2041*	250,000	August 15, 2043*	280,000

Term Bond Due August 15, 2045		Term Bond Due August 15, 2047	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
August 15, 2044	$ 295,000	August 15, 2046	$ 330,000
August 15, 2045*	310,000	August 15, 2047*	345,000

*Stated Maturity.

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

Notice of Redemption . . . At least 30 calendar days prior to the date fixed for any optional redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent by United States mail, first-class postage prepaid, at least 30 calendar days prior to the date fixed for redemption, to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th calendar day prior to such redemption date and to major securities depositories and bond information services.

The Bonds of a denomination larger than $5,000 may be redeemed in part ($5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District, if less than all of the Bonds of a particular maturity are to be redeemed, the Paying Agent is required to select the Bonds of such maturity to be redeemed by lot.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

DTC Redemption Provision . . . The Paying Agent/Registrar and the District, so long as a book-entry-only system ("Book-Entry-Only-System") is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, as herein defined, or of any Direct Participant or Indirect Participant, as herein defined, to notify the beneficial owner, shall not affect the validity of the redemption of Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to the DTC Participants.

Indirect Participants or the persons for whom DTC Participants act as nominees with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . The District is initially utilizing the Book-Entry-Only System of DTC. See "BOOK-ENTRY-ONLY SYSTEM." In the event that the Book-Entry-Only System is discontinued by DTC or the District, the following provisions will be applicable to the Bonds.

Payment . . . Principal of the Bonds will be payable at maturity to the registered owners as shown by the registration books maintained by the Paying Agent upon presentation and surrender of the Bonds to the Paying Agent at the designated office for payment of the Paying Agent in Dallas, Texas (the "Designated Payment/Transfer Office"). Interest on the Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent by United States mail, first-class, postage prepaid, to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent requested by registered owner at the risk and expense of the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

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

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

Replacement Bonds . . . If a Bond is mutilated, the Paying Agent will provide a replacement Bond in exchange for the mutilated bond. If a Bond is destroyed, lost or stolen, the Paying Agent will provide a replacement Bond upon (i) the filing by the registered owner with the Paying Agent of evidence satisfactory to the Paying Agent of the destruction, loss or theft of the Bond and the authenticity of he registered owner's ownership and (ii) the furnishing to the Paying Agent of indemnification in an amount satisfactory to hold the District and the Paying Agent harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond must be borne by the registered owner. The provisions of the Bond 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.

AUTHORITY FOR ISSUANCE . . . At an election held within the District on November 6, 2007, voters within the District authorized the issuance of a total of $64,700,000 in unlimited tax bonds for water, wastewater and drainage system facilities. The Bonds constitute the eighth installment of bonds issued by the District, but will be the third installment of bonds issued for water, wastewater and drainage system facilities. After the sale of the Bonds, $50,610,000 principal amount of District bonds will remain authorized but unissued for water, wastewater and drainage system facilities. The Bonds are issued pursuant to the terms and provisions of the Bond Order; Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. The issuance of the Bonds has been approved by an order of the TCEQ.

SOURCE OF AND SECURITY FOR PAYMENT . . . The Bonds will be payable from and secured by a pledge of the proceeds of a continuing, direct, annual ad valorem tax without legal limitation as to rate or amount levied against all taxable property located within the District. The Board covenants in the Bond Order that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax against all taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the payment of principal of the Bonds when due or the redemption price at any earlier required redemption date, to pay when due any other contractual obligations of the District payable in whole or in part from taxes, and to pay the expenses of assessing and collecting such tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in a special account of the District designated its "Debt Service Fund" for the Bonds.

Under existing Texas law, since the District lies partially within the corporate boundaries and partially within the extraterritorial jurisdiction of the City of Dripping Springs, Texas (the "City"), the District may be annexed by the City without the District's consent; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. If a municipal utility district is annexed, the municipality must assume the assets, functions, and obligations of the District, including outstanding bonds, and the pledge of taxes will terminate. Under the Amended and Restated Development Agreement dated to be effective as of April 14, 2005, Dripping Springs agreed that it would not annex any residential land within the District until: (a) water, wastewater and drainage facilities have been completed to serve at least ninety percent (90%) of the developable acreage within the District; and (b) the Residential Developer and Commercial Developer have been reimbursed by the District for the water, wastewater, drainage or other facilities serving the District in accordance with the rules of the Texas Commission on Environmental Quality. Annexation of territory by Dripping Springs is a policy-making matter within the discretion of the Mayor and City Council of Dripping Springs and therefore, the District makes no representation that Dripping Springs will ever annex the District and assume its debt. No representation is made concerning the ability of the City to make debt service payments on the Bonds should dissolution of the District occur.

The Bonds are obligations solely of the District and are not obligations of the City of Dripping Springs; Dripping Springs Independent School District; Hays County, Texas; the State of Texas; or any political subdivision or entity other than the District.

PAYMENT RECORD . . . The Bonds constitute the eighth installment of bonds issued by the District, but will be the third installment of bonds issued for water, wastewater and drainage system facilities. The District has never defaulted on the payment of its outstanding debt.

FLOW OF FUNDS . . . The Bond Order creates the establishment and maintenance by the District of a Debt Service Fund and a Capital Projects Fund.

Each fund shall be kept separate and apart from all other funds of the District. The Debt Service Fund shall constitute a trust fund which shall be held in trust for the benefit of the registered owner of the Bonds.

Any cash balance in any fund must be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of water control and improvement districts having an aggregate market value, exclusive of accrued interest, at all times equal to the cash balance in the fund to which such securities are pledged.

Debt Service Fund . . . The Bond Order establishes the Debt Service Fund to be used to pay principal and interest on and Paying Agent fees in respect to the Bonds. The Bond Order requires that the District deposit to the credit of the Debt Service Fund (i) from the delivery of the Bonds to the Initial Purchaser, the amount received from proceeds of the Bonds representing accrued interest, if any, and approximately five months' capitalized interest on the Bonds, (ii) District ad valorem taxes (and penalties and interest thereon) levied to pay debt service requirements on (or fees and expenses of the Paying Agent with respect of) the Bonds, and (iii) such other funds as the Board shall, at its option, deem advisable. The Bond Order requires that the Debt Service Fund be applied solely to provide for the payment of the principal or redemption price of and interest on the Bonds when due, and to pay fees to Paying Agent when due.

Capital Projects Fund . . . The Capital Projects Fund is the capital improvements fund of the District. The Bond Order requires the District to deposit to the credit of the Capital Projects Fund the balance of the proceeds of the Bonds remaining after the deposits to the Debt Service Fund provided in the Bond Order. The Capital Projects Fund may be applied solely to (i) pay the costs necessary or appropriate to accomplish the purposes for which the Bonds are issued, (ii) pay the costs of issuing the Bonds and (iii) to the extent the proceeds of the Bonds and investment income attributable thereto are in excess of the amounts required to acquire and construct water, wastewater and drainage facilities as approved by TCEQ, then it is in the discretion of the Board of Directors of the District to transfer such unexpended proceeds or income to the Debt Service Fund or to utilize such funds as otherwise authorized by the TCEQ.

DEFEASANCE OF OUTSTANDING BONDS . . . *General* . . . The Bond Order provides for the defeasance of the Bonds and the termination of the pledge of taxes and all other general defeasance covenants in the Bond Order under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding within the meaning of the Bond Order (a "Defeased Bond"), except to the extent provided below for the Paying Agent to continue payments, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent or an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment, or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the District with the Paying Agent or an eligible trust company or commercial bank for the payment of its services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied and pledged, as provided in the Bond Order and such principal and interest shall be payable solely from such money or Defeasance Securities, and shall not be regarded as outstanding under the Bond Order.

Any money so deposited with or made available to the Paying Agent or an eligible trust company or commercial bank also may be invested at the written direction of the District in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent or an eligible trust company or commercial bank that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be remitted to the District or deposited as directed in writing by the District.

Until all Defeased Bonds shall have become due and payable, the Paying Agent shall perform the services of Registrar for such Defeased Bonds the same as if they had not been defeased, and the District shall make proper arrangements to provide and pay for such services as required by the Bond Order.

For purposes of these provisions, "Defeasance Securities" means (i) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) non-callable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds.

Any such obligations must be certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to provide all debt service payments on the Bonds.

Retention of Rights . . . To the extent that, upon the defeasance of any Defeased Bond to be paid at its maturity, the District retains the right under Texas law to later call the Defeased Bond for redemption in accordance with the provisions of the order authorizing its issuance, the District may call such Defeased Bond for redemption upon complying with the provisions of Texas law and upon satisfaction of the provisions set forth above regarding such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Debt.

Investments . . . Any escrow agreement or other instrument entered into between the District and the Paying Agent or an eligible trust company or commercial bank pursuant to which money and/or Defeasance Securities are held by the Paying Agent or an eligible trust company or commercial bank for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent or an eligible trust company or commercial bank which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the District or deposited as directed in writing by the District.

PAYING AGENT/REGISTRAR . . . Principal of and semiannual interest on the Bonds will be paid by BOKF, NA having an office for payment in Dallas, Texas, the Paying Agent. The Paying Agent must be either a bank, trust company, financial institution or other entity duly qualified and equally authorized to serve and perform the duties as paying agent and registrar for the Bonds.

Provision is made in the Bond Order for the District to replace the Paying Agent by a resolution of the District giving notice to the Paying Agent of the termination of the appointment, stating the effective date of the termination and appointing a successor Paying Agent. If the Paying Agent is replaced by the District, the new Paying Agent shall be required to accept the previous Paying Agent's records and act in the same capacity as the previous Paying Agent. Any successor paying agent/registrar selected by the District shall be subject to the same qualification requirements as the Paying Agent. The successor paying agent/registrar, if any, shall be determined by the Board of Directors and written notice thereof, specifying the name and address of such successor paying agent/registrar will be sent by the District or the successor paying agent/registrar to each registered owner by first-class mail, postage prepaid.

RECORD DATE . . . The Record Date for payment of the interest on Bonds on any regularly scheduled interest payment date is defined as the last calendar day of the month (whether or not a business day) preceding such interest payment date.

ISSUANCE OF ADDITIONAL DEBT . . . The District may issue bonds or other obligations necessary to provide those improvements and facilities for which the District was created, with the approval of the TCEQ (except in the case of road improvements) and, in the case of bonds payable from taxes, the District's voters. According to the District's engineer, the $64,700,000 in principal amount of bonds authorized but unissued should be sufficient to reimburse the Residential Developer for the water, wastewater and drainage system facilities required for development within the District. On November 6, 2007, voters within the District authorized the issuance of unlimited tax bonds in the principal amounts of $64,700,000 for the purpose of providing water, wastewater, and drainage system facilities to meet the needs of the residents and customers of the District as well as $97,050,000 in refunding bonds. Following the issuance of the Bonds, $50,610,000 in unlimited tax bonds authorized by the District voters will remain authorized but unissued for water, wastewater and drainage system facilities. The District also has voter authority to issue $54,545,000 for road purposes, of which $34,815,000 is currently outstanding and $81,817,500 for refunding purposes. See "FINANCIAL STATEMENT – Authorized But Unissued Bonds." Neither Texas law nor the Bond Order imposes a limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may dilute the security of the Bonds. See "RISK FACTORS."

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Pursuant to Section 49.186 of the Texas Water Code, bonds, notes or other obligations issued by a municipal utility district "shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts and all other kinds and types of districts, public agencies and bodies politic." Additionally, Section 49.186 of the Texas Water Code provides that bonds, notes or other obligations issued by a municipal utility district are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions and instrumentalities of the State. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds.

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

SPECIFIC TAX COVENANTS . . . In the Bond Order the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the manner in which the proceeds of the Bonds are to be invested. The District may omit 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 non-compliance with such covenant will not adversely affect the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

ADDITIONAL COVENANTS . . . The District has additionally covenanted in the Bond Order that it will keep accurate records and accounts and employ an independent certified public accountant to audit and report on its financial affairs at the close of each fiscal year, such audits to be in accordance with applicable law, rules and regulations and open to inspection in the office of the District.

REMEDIES IN EVENT OF DEFAULT . . . The Bond Order establishes specific events of default with respect to the Bonds. If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Bond Order, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Bond Order and Chapter 51 of the Texas Water Code provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Bond Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, subject to the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. CT. J. 819 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

CONSOLIDATION . . . A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water system with the water system(s) of the district(s) with which it is consolidating. The revenues of the consolidated system may be pledged equally to all first lien bonds of the consolidating districts. No representation is made that the District will consolidate its water system with any other district.

ANNEXATION . . . The District lies partially within the corporate limits and partially within the extraterritorial jurisdiction of the City of Dripping Springs, Texas ("Dripping Springs"). Under existing Texas law, since the District lies partially within the corporate boundaries and partially within the extraterritorial jurisdiction of the City of Dripping Springs, Texas (the "City"), the District may be annexed by the City without the District's consent; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. If a municipal utility district is annexed, the municipality must assume the assets, functions, and obligations of the District, including outstanding bonds, and the pledge of taxes will terminate. Under the Amended and Restated Development Agreement dated to be effective as of April 14, 2005, Dripping Springs agreed that it would not annex any residential land within the District until: (a) water, wastewater and drainage facilities have been completed to serve at least ninety percent (90%) of the developable acreage within the District; and (b) the Residential Developer and Commercial Developer have been reimbursed by the District for the water, wastewater, drainage or other facilities serving the District in accordance with the rules of the Texas Commission on Environmental Quality. Annexation of territory by Dripping Springs is a policy-making matter within the discretion of the Mayor and City Council of Dripping Springs, subject to the voter and/or landowner approval requirements discussed above, and therefore, the District makes no representation that Dripping Springs will ever annex the District and assume its debt. No representation is made concerning the ability of the City to make debt service payments on the Bonds should dissolution of the District occur.

ALTERATION OF BOUNDARIES . . . In certain circumstances, under Texas law the District may alter its boundaries to: i) upon satisfying certain conditions, annex additional territory; and ii) exclude land subject to taxation within the District that does not need to utilize the service of District facilities if certain conditions are satisfied including the District simultaneously annexes land of at least equal value that may be practicably served by District facilities. Such land substitution is subject to the approval of the TCEQ. No representation is made concerning the likelihood that the District would effect any change 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.

AMENDMENTS TO THE BOND ORDER . . . The District may, without the consent of or notice to any registered owners, amend the Bond Order in any manner not detrimental to the interest of the registered owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest therein, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may within the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

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BOND INSURANCE

BOND INSURANCE POLICY . . . Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM" or "Bond Insurer") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX C to this Official Statement.

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

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

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

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

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

CAPITALIZATION OF BAM . . . BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $512.5 million, $195.6 million and $316.9 million, respectively.

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

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

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

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

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

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

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

BOND INSURANCE RISKS

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by BAM at such time and in such amounts as would have been due absence such prepayment by the District unless BAM chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of BAM without appropriate consent. BAM may direct and must consent to any remedies and BAM's consent may be required in connection with amendments to any applicable bond documents.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of BAM and its claim paying ability. BAM's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of BAM and of the ratings on the Bonds insured by BAM will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The obligations of BAM are general obligations of BAM and in an event of default by BAM, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District, the Financial Advisor nor Initial Purchaser have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by the DTC while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable but takes no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities 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 certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest 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 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 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the 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.

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

USE AND DISTRIBUTION OF BOND PROCEEDS

The proceeds of the Bonds will be used to finance the District's share of the following projects: (i) Phase 3 wastewater treatment plant expansion, (ii) drip irrigation fields, (iii) engineering, and (iv) contingencies. The remaining Bond proceeds will be used to pay certain engineering costs and issuance costs associated with the Bonds. The remaining Bond proceeds will be used to: (i) capitalize approximately five months' interest requirements on the Bonds; and (ii) pay certain engineering costs and issuance costs associated with the Bonds. The District's Series 2022 Bond Anticipation Notes served as interim funding for the aforementioned items and will be repaid with interest from proceeds of the Bonds.

The estimated use and distribution of Bond proceeds is set forth below. Of the proceeds to be received from the sale of the Bonds, $4,047,627 is estimated to be required for construction costs, and $692,373 is estimated to be required for non-construction costs.

The estimated use and distribution of Bond proceeds is set forth below. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and review by the District's auditor.

SUMMARY OF COSTS

I. CONSTRUCTION COSTS		**District's Share**
A. Developer Contribution Items – None		
B. District Items:		
1. Phase 3 Wastewater Treatment Plant Expansion	$	2,847,680
2. Phase 3 Wastewater Treatment Plant Drip Irrigation Fields		721,160
3. Contingencies (10.28% of Items 1-2)		366,877
4. Engineering (5.0% of Items 1-2)		178,442
Total District Items	**$**	**4,114,159**
Less: Surplus Funds		**66,532**
Total Construction Costs (85.39% of BIR)	**$**	**4,047,627**
II. NON-CONSTRUCTION COSTS		
A. Bond Counsel Fees	$	82,400
B. Special Tax Counsel Fees		9,480
C. Fiscal Agent Fees		71,100
D. Interest:		
1. Capitalized Interest (approximately 5 months)		88,875
2. BAN Interest (12 months at 2%)		84,600
E. Bond Discount (3.00%)		142,200
F. Bond Issuance Expenses		33,887
G. BAN Issuance Expense		115,841
H. Bond Engineering Fee		47,400
I. Attorney General Fee (0.10%)		4,740
J. TCEQ Fee		11,850
K. Contingency		0
Total Non-Construction Costs	**$**	**692,373**
TOTAL BOND ISSUE REQUIREMENT	**$**	**4,740,000**

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RISK FACTORS

GENERAL . . . The Bonds, which are obligations of the District and are not obligations of the State of Texas; Hays County, Texas; the City of Dripping Springs; Dripping Springs Independent School District, or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied on all taxable property located within the District. See "THE BONDS – Source of and Security for Payment." The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Registered Owners' Remedies" below.

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.

There are currently no COVID-19 related operating limits for any business or other establishment in the State of Texas. 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.

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

Interest rates and the availability of credit, including mortgage and development funding, have a direct impact on the construction activity, particularly short-term interest rates at which the Developers and Homebuilders are able to obtain financing for development and construction costs. Interest rate levels and the general availability of credit may affect the ability of a landowner with undeveloped property to undertake and complete development activities within the District and the ability of potential homeowners to purchase homes. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued development and construction within the District. In addition, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and regional economics.

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

The competitive position of the Residential 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 Developers will be implemented or, if implemented, will be successful.

Developer under No Obligation to the District: There is no commitment from, or obligation of, any developer to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District, and there is no restriction on any landowner's right to sell its land, including any developer. Failure to construct taxable improvements on developed lots and tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon developer and the other principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such financial conditions may have on their ability to pay taxes. See 'THE DEVELOPERS" and "TAX DATA – Principal Taxpayers."

Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of the District property owners to pay their taxes. The 2022 Certified Assessed Valuation is $336,731,315 (see "FINANCIAL STATEMENT"). After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be $2,284,171 (2042) and the Average Annual Debt Service Requirement will be $1,933,852 (2022-2047, inclusive). A tax rate of $0.7141/$100 assessed valuation, at a 95% collection rate, would be necessary to pay the Maximum Annual Debt Service Requirement of $2,284,171, and a tax rate of $0.6046/$100 assessed valuation at a 95% collection rate would be necessary to pay the Average Annual Debt Service Requirement of $1,933,852 based upon the 2022 Certified Taxable Assessed Valuation.

FUTURE AND PROPOSED TAX LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

STATE LEGISLATIVE ISSUES . . . The State Legislature, operating under the biennial system, convenes its regular session at noon on the second Tuesday in January of odd-numbered years. The maximum duration of a regular session is 140 days. Under the Texas Constitution, the Governor has the authority to call additional special sessions of the State Legislature at any time, each for a duration of no more than thirty days, to address only those subjects designated by the Governor. While in session, the State Legislature may consider bills which could have an impact on the District. The District makes no representations or predictions with respect to whether the Governor will exercise his authority under the Texas Constitution to call additional special sessions of the State Legislature or concerning the substance or effect of any legislation that may be proposed and ultimately passed with the State Legislature is in session.

TAX COLLECTIONS AND FORECLOSURE REMEDIES . . . The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by cumbersome, time-consuming and expensive collection procedures or market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL STATEMENT – Estimated Overlapping Debt Statement"), by the current aggregate tax rate being levied against the property, and by other factors (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy court could approve a confirmation plan which allows the debtor to make installment payments on delinquent taxes for up to six years and a bankruptcy court may reduce the amount of any taxes assessed against the debtor, including those that have already been paid.

HOUSING MARKET, VOLATILITY AND RECENT FORECLOSURES . . . In past years, disruptions in the housing market have led to a number of foreclosures on single family homes nationally. In the District, there were no posted foreclosures on single-family homes by the Hays County Clerk's Office as of October 28, 2022. No assurance can be given whether the number of foreclosures will decrease or increase or that market conditions will improve.

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

BANKRUPTCY LIMITATION TO REGISTERED OWNERS' RIGHTS . . . The enforceability of the rights and remedies of registered owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of 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 Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is specifically 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 water control and improvement district, such as the District, must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission 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 making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the registered owners could potentially and adversely impair the value of the registered owner’s claim.

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

THE EFFECT OF THE FINANCIAL INSTITUTIONS ACT OF 1989 ON TAX COLLECTIONS OF THE DISTRICT . . . The “Financial Institutions Reform, Recovery and Enforcement Act of 1989” (“FIRREA”), enacted on August 9, 1989, contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens, and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation (“FDIC”) when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

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

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

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

CONTINUING COMPLIANCE WITH CERTAIN COVENANTS . . . Failure of the District to comply with certain covenants contained in the Bond 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.”

FUTURE DEBT . . . The District has reserved in the Bond Order the right to issue the remaining $34,815,000 authorized but unissued unlimited tax road bonds and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District, including up to $50,610,000 in bonds for water, wastewater and drainage facilities remaining authorized but unissued. The District has also reserved the right to issue $97,050,000 in refunding bonds authorized at the November 6, 2007 election, and the $81,817,500 in refunding bonds authorized at the November 3, 2015 election. All of the remaining $34,815,000 unlimited tax road bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board of Directors of the District, subject to the approval of the Attorney General of the

State of Texas. In the opinion of the District's engineer, the remaining authorization should be sufficient to reimburse the Residential Developer for the development within the Residential Tract. See "THE SYSTEM."

Following the issuance of the Bonds, the District will still owe the Residential Developer approximately $33,064,267 for additional road, water, wastewater and drainage facilities which have been constructed to date.

GOVERNMENTAL APPROVAL . . . As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS." The TCEQ approved the issuance of the Bonds by an order signed on August 10, 2022 (the "TCEQ Order"). In addition, the Attorney General of Texas must also approve the legality of the Bonds prior to their delivery.

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

ENVIRONMENTAL REGULATION . . . Wastewater treatment and water supply facilities are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

1. Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
2. Restricting the manner in which wastes are released into the air, water, or soils;
3. Restricting or regulating the use of wetlands or other property;
4. Requiring remedial action to prevent or mitigate pollution; and
5. Imposing substantial liabilities for pollution resulting from facility operations.

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Sanctions against a water district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements, and issuance of injunctions as to future compliance of and the ability to operate the District's water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area's ability to grow and develop. The following is a discussion of certain environmental concerns that relate to the District. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial and residential development in the Austin area. Under the Clean Air Act ("CAA") Amendments of 1990, the five-county "Austin Area" – Travis, Hays, Williamson, Bastrop, and Caldwell counties – has recently been redesignated by the EPA as an attainment area. The Austin Area entered into an early action compact (EAC) with the TCEQ and EPA which demonstrates attainment and maintenance of the 8-hour ozone standard. EACs allow regions that are in nonattainment or near nonattainment for ozone under the federal CAA to elect to use their knowledge of local conditions to determine which ozone control strategies should be implemented in their area, as opposed to having rules dictated by state and federal agencies.

The EPA signed a consent decree with several environmental organizations which bound the EPA to designating nonattainment areas for 8-hour nonattainment. The Austin Area took early action with an EAC on November 17, 2004 to reduce its emissions so as not to be designated nonattainment. Voluntary reductions have focused on reducing the number of vehicles on Austin Area roads, since vehicles are the area's main source of air pollution.

The area will report semi-annually on the progress of their control measures. Under the EACs, attainment must have been demonstrated by 2007. EPA approved the photochemical modeling in support of the attainment demonstration for the 8-hour ozone standard within the Austin Area on August 15, 2005. EPA also approved the Austin EAC "CAAP" which includes control measures and demonstrates maintenance of the standard through 2012 (including a vehicle inspection and maintenance (I/M) program). These steps and any EPA/TCEQ responses could impact the economy and communities in the Austin Area.

On November 26, 2014, the EPA announced a new proposed ozone National Ambient air Quality Standards (NAAQS) range of between 65-70 parts per billion. The Austin Area is vulnerable to being designated nonattainment if the EPA adopts the new proposed ozone NAAQS or otherwise maintains the existing standard applied to more recent air quality monitoring data.

Should the Austin Area fail to achieve attainment under an EPA NAAQS, or should the Austin Area fail to satisfy a then effective State Implementation Plan (SIP) (for nonattainment or otherwise), or for any other reason should a lapse in conformity with the CAA occur, the Austin Area may be subjected to sanctions pursuant to the CAA. Under such circumstances, the TCEQ would be required under the CAA to submit to the EPA a new SIP under the CAA for the Austin Area. Due to the complexity of the nonattainment/conformity analysis, the status of EPA's implementation of any future EPA NAAQS and the incomplete information surrounding any SIP requirements for areas designated nonattainment under any future EPA NAAQS, the exact nature of sanctions or any potential SIP that may be applicable to the Austin Area in the future is uncertain. The CAA provides for mandatory sanctions, including the suspension of federal highway funding, should the State fail to submit a proper SIP, or associated submissions, or fail to revise or implement a SIP, or fail to comply with an existing SIP. Subject to certain exceptions, if the Austin Area falls out of conformity and the mandatory highway funding suspension sanction is implemented, the United States Secretary of Transportation may be prohibited from approving or awarding transportation projects or grants within the area.

It is possible that nonattainment, a lapse in conformity under the CAA, litigation involving injunctive or other relief, or other environmental issues may impact new industrial, commercial and residential development in the Austin Area.

Water Supply & Discharge Issues. Water supply and discharge regulations that the District may be required to comply with involve: (1) public water supply systems, (2) wastewater discharges from treatment facilities, (3) storm water discharges and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the Safe Drinking Water Act, potable (drinking) water provided by the District to more than sixty (60) end users for consumption will be subject to extensive federal and state regulation as a public water supply system, which include, among other requirements, frequent sampling and analyses. Additionally, the EPA has been charged with establishing maximum contaminant levels (MCLs) for potential drinking water contaminants (both naturally occurring and anthropogenic) such as arsenic, lead, radon, and disinfection by-products (e.g. chlorine). Additionally, TCEQ is initiating rule changes to Chapter 290, Public Drinking Water, to implement the federal Stage 2 Disinfection Byproducts Rule (DBP2), Long Term Stage 2 Enhanced Surface Water Treatment Rule (LT2), and Ground Water Rule (GWR). EPA adopted the GWR on December 31, 2006. Future regulations or requirements pertaining to these and other drinking water contaminants could require installation of more costly treatment facilities.

Operation of the District's sewer facilities is subject to regulation under the Federal Clean Water Act and the Texas Water Code. All discharges of pollutants into the nation's navigable waters must comply with the Clean Water Act. The Clean Water Act allows municipal wastewater treatment plants to discharge treated effluent to the extent allowed under permits issued by the EPA pursuant to the National Pollutant Discharge Elimination System ("NPDES") program, a national program established by the Clean Water Act for issuing, revoking, monitoring and enforcing wastewater discharge permits. On August 14, 1998, EPA authorized Texas to implement the NPDES program, which is called the Texas Pollutant Discharge Elimination System ("TPDES") program.

TPDES permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. Any discharges to water bodies designated as impaired streams in accordance with the Clean Water Act may be precluded from obtaining a TPDES permit if pollutants for which the stream is designated as impaired are among those pollutants being released by a District. Moreover, the Clean Water Act and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations. In addition, under the Clean Water Act, states must identify any bodies of water for which more stringent effluent standards are needed to achieve water quality standards and must establish the maximum allowable daily load of certain pollutants into the water bodies. Total maximum daily loads ("TMDLs") rules can have a significant impact on the District's ability to obtain TPDES permits and maintain those permits. The District may be required to expend substantial funds to meet any of these regulatory requirements. If the District fails to achieve compliance with its discharge permits, a private plaintiff or the EPA could institute a civil action for injunctive relief and civil penalties. Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Clean Water Act. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and currently has issued a general permit for stormwater discharges associated with industrial activities and proposed two general permits for stormwater discharges associated with construction activities and municipal separate stormwater systems. The District may also be required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

Operations of the District are also potentially subject to requirements and restrictions under the Clean Water Act regarding the use and alteration of wetland areas that are within the "waters of the United States." The District must obtain a permit from the U.S. Army Corps of Engineers if operations of the District require that wetlands be filled, dredged, or otherwise altered.

Atlas 14 Study. The National Weather Service recently completed a rainfall study known as Atlas 14 which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast in the east and running west generally along the I-10 corridor to Central Texas. Based on this study, various governmental entities, including Williamson County, are contemplating amendments to their regulations that will potentially increase the size of the 100 year floodplain and will also increase the size of detention ponds and drainage facilities required for future construction in all areas (not just in the floodplain). See "THE SYSTEM – 100-Year Flood Plain."

MARKETABILITY OF THE BONDS . . . The District has no understanding with the Underwriter 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 of 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. Additionally, there are no assurances that if a secondary market for the Bonds will were to develop, that it will not be disrupted by events including, but not limited to, the current pandemic associated with the COVID-19 virus. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

DROUGHT CONDITIONS . . . Central Texas, like other areas of the State, has experienced extreme drought conditions within the last several years. The District adopted a water conservation plan and currently has implemented water restrictions for residents of the District. The West Travis County Public Utility Agency provides water to the District in amounts sufficient to service the residents of the District, however, if drought conditions resume, water usage, rates and water revenues could be impacted.

FORWARD-LOOKING STATEMENTS . . . The statements contained in this Official Statement, and in any other information provided by the District or Developers, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District and Developers on the date hereof, and neither the District nor the Developers assume any obligation to update any such forward-looking statements.

The forward looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by first parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

THE DISTRICT

GENERAL . . . Headwaters Municipal Utility District of Hays County (the "District"), a political subdivision of the State of Texas, was created by order of the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission"), effective August 8, 2007 and confirmed pursuant to an election held within the District on November 6, 2007. The District was created for the purpose of providing, operating, and maintaining facilities to control storm water, distribute potable water, collect and treat wastewater and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution, as amended. Pursuant to Chapter 7951 of the Texas Special District Local Laws Code, the District also has road powers under Section 52, Article III of the Texas Constitution. Fire services are provided to residents and property owners within the District by North Hays County ESD #1 and Northwest Hays County ESD #5.

MANAGEMENT . . . ***Board of Directors.*** The District is governed by a Board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors' terms are four years with elections held on the first Tuesday after the first Monday in May in each even numbered year. All of the directors listed below reside or own property in the District.

Name	Title	Term Expires
Harvey Zinn, Jr.	President	2026
Lisa Stephens	Vice President	2026
Drax Marlow	Secretary	2026
William Farrell	Treasurer	2024
Brian Jacks	Assistant Secretary	2024

Consultants:

Tax Assessor/Collector . . . Land and improvements in the District are being appraised by the Hays Central Appraisal District ("HCAD"). The Tax Assessor/Collector is appointed by the Board of Directors of the District. The Hays County Tax Assessor/Collector, Ms. Jennifer O'Kane, currently serves the District in this capacity under contract.

Operator . . . The District contracts with the Crossroad Utilities to serve as operator for the District.

Bookkeeper . . . Municipal Accounts & Consulting, L.P. ("Municipal Accounts") is charged with the responsibility of providing bookkeeping services for the District. Municipal Accounts serves in a similar capacity for other special districts.

Engineer . . . The District's consulting engineer is Malone-Wheeler (the "Engineer"). Such firm serves as consulting engineer to other special districts. Additionally, Jones-Heroy & Associates, Inc. serves as special engineer for purposes of District bond issuances.

Financial Advisor . . . Specialized Public Finance 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 a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Bond Counsel and General Counsel . . . McLean & Howard, L.L.P., Austin, Texas serves as Bond Counsel and General Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds.

Special Tax Counsel and Disclosure Counsel . . . McCall, Parkhurst and Horton L.L.P. serves as Special Tax Counsel and Disclosure Counsel in connection with the issuance of the District's Bonds. The fees of Special Tax Counsel and Disclosure Counsel are contingent upon the sale of and delivery of the Bonds.

LOCATION . . . The District is located in Hays County. The District is partially located within the corporate boundaries, and partially within the extraterritorial jurisdiction, of the City of Dripping Springs, Texas and within the boundaries of the Dripping Springs Independent School District. The District is located on the north side of State Highway 290. See "LOCATION MAP."

UNDEVELOPED ACREAGE . . . There are approximately 69.56 developable acres of land within the District that have not been provided with water, wastewater and storm drainage and detention facilities as of October 1, 2022. The District makes no representation as to when or if development of this acreage will occur. See "THE DISTRICT – Status of Development."

CURRENT STATUS OF DEVELOPMENT . . . Of the approximately 1,503 acres within the District, approximately 381 acres (out of 451 developable acres) have been developed for single family residential purposes by the Residential Developer. As of October 1, 2022, the development in the Residential Tract consisted of 529 completed homes (of which 508 were occupied, 21 were completed and available for purchase), 120 homes under construction and 179 vacant developed lots. A 168-unit multifamily complex has also been completed by the Ridge at Headwaters, Ltd., which purchased 9.629 acres within the Commercial Tract for the Ridge Apartments from the Commercial Developer. As of October 1, 2022, 160 of the 168 multi-family units have been leased.

The chart below reflects the status of development of the residential and commercial lands within the District as of October 1, 2022:

	Net Acreage	Platted Lots	Completed Homes	Homes Under Construction	Vacant Lots
A. Sections with Utility Facilities or Under Construction					
Developed	381				
Under Construction[(a)]	0				
Remaining Developable Acreage	69.56	828	529	120	179
Total Developable Acreage	450.56				
C. Undevelopable Acreage					
Drainage, Detention, Floodplain, Parkland/Open Space	1,053				
Total Developable Acreage	1,503.56				

(a) Includes Phase 2 and Phase 4.1 within the Residential Tract and a 9.63 acre site being developed for multi-family purposes in the Commercial Tract.

FUTURE DEVELOPMENT . . . As of the date hereof, there are remaining approximately 69.56 acres of land in the District, as yet undeveloped with water, sewer & drainage facilities and road improvements to support development. The initiation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, general and economic conditions which would affect any party's ability to sell lots and/or other property and of any home builder to sell completed homes as described in this Official Statement under the caption "RISK FACTORS." If the undeveloped portion of the District is eventually developed, additions to the District's water, wastewater, and drainage systems required to service such undeveloped acreage may be financed by future issues of the District's bonds and developer contributions, if any, as required by the TCEQ.

ANNEXATION OF THE DISTRICT . . . The District lies partially within the corporate boundaries and partially within the extraterritorial jurisdiction of the City of Dripping Springs. See "THE BONDS – Annexation" for a discussion of the ability of the City of Dripping Springs to annex the District.

CONSENT AGREEMENT . . . The District, the City, Residential Developer, Rathgeber Investment Company, Ltd. ("RIC") and Commercial Developer are parties to that certain Agreement Concerning Creation and Operation of Headwaters Municipal Utility District" dated to be effective February 8, 2005, as subsequently amended on June 10, 2008, July 28, 2015, and May 29, 2020 (the "Consent Agreement"). The Consent Agreement governs the construction, operation, maintenance and inspection of District utility facilities; the provision of services by the District; the issuance of bonds by the District; and the annexation of the District by the City. Under the Consent Agreement, the City has authorized the District to issue its bonds in a total principal amount of $119,245,000 for authorized purposes, including for road projects and for water, sewer and drainage projects.

DEVELOPMENT AGREEMENT . . . The City, Residential Developer, Commercial Developer and RIC are also parties to that certain Restated Development Agreement dated to be effective as of April 14, 2005 governing the development of lands within the District, including environmental protection, construction of utility infrastructure improvements, deed restrictions, lighting and signage. The Development Agreement also includes provisions governing the timing of annexation of the lands within the District by the City.

THE DEVELOPERS

GENERAL . . . In general, the activities of a developer in a utility district, such as the District, include purchasing the land within the utility district; coordinating the design of the subdivision; coordinating the design of the utilities and streets to be constructed in the subdivision; coordinating the design of any community facilities to be built; defining a marketing program and building schedule; securing necessary governmental approvals and permits for development; arranging for the construction of the improvements within the subdivisions, including road improvements, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, cable television, and electric service; and selling improved lots and commercial reserves to homebuilders, other developers, or other first parties. The relative success or failure of a developer to perform such activities will have a profound effect on the security of the bonds issued by the District. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily the major taxpayer within the district during the development phase of the property.

DESCRIPTION OF DEVELOPERS . . . The Residential Tract within the District is being developed for single family residential purposes as "Headwaters at Barton Creek" ("Headwaters") by WFC Headwaters Owner VII, L.P., a Delaware limited partnership, of which WFC Headwaters GP VII, L.L.C., a Delaware limited liability company, is the General Partner and WFC Headwaters Holdings JV VII, L.L.C., a Delaware limited liability company, is the limited partner.

Approximately 168 acres within the District is being developed for commercial and residential purposes by Oryx Land Holdings, LLC, a Texas limited liability company. The Commercial Developer sold a 9.629 to Ridge at Headwaters, ltd., which has commenced construction of a 168-unit market rate multifamily project on this site (the "Ridge Apartments"). The Commercial Developer has completed construction of trunk utility facilities and access roads to serve the Ridge Apartments site and the remainder of the Commercial Tract and has contracted with the District for future facilities reimbursements. See "THE DISTRICT – Current Status of Development."

ACQUISITION AND DEVELOPMENT FINANCING . . . According to the Residential Developer, part of the development of Headwaters has been funded by four development loans, two from American Bank, N.A. and two from Pioneer Bank, SSB. The first loan from American Bank, N.A in the amount of $9,900,000 with a maturity date of October 13, 2018 for funding of Phase 1 was paid off in full as of February 6, 2018. The second loan from American Bank, N.A. in the amount of $3,500,000 with a maturity date of December 31, 2018 for funding of the amenity center was refinanced and paid off on September 7, 2018. The third loan for refinancing of the amenity center loan and funding of Phase 2 closed with Pioneer Bank, SSB on or about September 4, 2018 in the original principal amount of $11,500,000, as amended from time to time, and was paid off in full on December 3, 2020. A fourth loan for the development of Phase 4 and 5.1 was entered into with Pioneer Bank, SSB on or about November 24, 2020 in the original principal amount of $13,500,000, as amended from time to time, and was paid off in full on July 29, 2022.

HOMEBUILDERS WITHIN THE DISTRICT . . . As of October 1, 2022, there are currently several homebuilders in the District, including David Weekley Homes, Taylor Morrison Homes, Ashton Woods and Newmark Homes. The homes generally range in price from approximately $600,000 to $1,100,000.

WILDLIFE WAIVER . . . As of October 1, 2022, much of the undeveloped acreage within the Residential Tract is subject to a wildlife exemption which has been filed. See "TAXING PROCEDURES – Property Subject to Taxation by the District."

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THE SYSTEM

REGULATION . . . The water, wastewater and storm drainage facilities (the "System"), the purchase, acquisition and construction of which will be permanently financed by the District with the proceeds of the Bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including, among others, the TCEQ, Hays County and Dripping Springs. According to Malone-Wheeler (the "Engineer"), the design of all such facilities has been approved by all governmental agencies which have authority over the District.

Operation of the District's waterworks and wastewater facilities is subject to regulation by, among others, the U.S. Environmental Protection Agency and the TCEQ.

WATER SUPPLY AND DISTRIBUTION . . . The District receives its treated water from the West Travis County Public Utility Agency ("WTCPUA"), as successor to the Lower Colorado River Authority ("LCRA"), through a "Wholesale Water Services Agreement" dated April 4, 2014 (the "Wholesale Supply Contract") originally entered into by LCRA and the City of Dripping Springs. By agreement with the District dated effective March 31, 2016, the City assigned its interest in the Wholesale Water Services Agreement to the District. The Wholesale Supply Contract was amended on October 1, 2010 and September 19, 2019. Under the Wholesale Supply Contract, as amended, the WTCPUA is obligated to provide all treated water needed and requested by the District for service to lands within the District up to, but not in excess of, (i) a maximum daily flow rate of 1,612,800 gallons per day, or (ii) such lesser amount as to WTCPUA may be able to supply in the event of an emergency. The District's engineer estimates that this amount of water would be sufficient to serve 1,400 single family equivalent connections, which is the anticipated full buildout within the District.

WASTEWATER COLLECTION AND TREATMENT . . . Wastewater treatment for the District is provided by a 100,000 gallon per day (GPD) wastewater treatment plant with disposal via drip irrigation. Based upon a conservative design factor of 250 gallons per day per connection, the District's existing treatment capacity is sufficient to serve up to 400 single family equivalent connections. The District is also the permittee under Permit No. WQ0014587001 that authorizes the treatment and disposal of 325,000 gpd of wastewater effluent.

The Developers and the District have entered into that certain "Wastewater Expansion and Capacity Agreement" dated July 17, 2018 (the "Wastewater Agreement") to provide for funding and construction of the wastewater treatment and disposal facilities serving lands within the District. In general, the Wastewater Agreement provides for construction of the wastewater treatment and disposal facilities in phases as development progresses with the District, and each expansion corresponds to a phase authorized under Permit No. WQ0014587001. The Wastewater Agreement allocates capacity and service rights in each expansion according to the costs funded by each of the respective Developers. Generally, the Wastewater Agreement allocates 23.08% of the costs and capacity associated with each expansion to the Commercial Developer up to a maximum of 300 cumulative living unit equivalents for service to the Commercial Tract, and allocates the remaining 76.92% of costs and capacity to the Residential Developer for service to the Residential Tract. Each of the Developers may also elect to unilaterally proceed with funding and construction of an expansion if the other developer elects not to do so. The Wastewater Agreement also obligates the Developers to fund and construct an expansion of the treatment and disposal facilities when any expansion is required under the applicable rules of the Texas Commission on Environmental Quality. The Board of Directors of the District has elected for the District to finance and construct the Phase 3 expansion of the District's wastewater system with proceeds of the Bonds in lieu of Developer funding and construction under the Wastewater Agreement.

STORM WATER DRAINAGE . . . Storm water within the District generally drains through roadside swales with street and driveway culverts and ribbon curbs into various water quality ponds, eventually discharging into tributaries that drain into Little Barton Creek, which is a tributary of Barton Creek, which is a tributary of the Colorado River.

100-YEAR FLOOD PLAIN AND STORM DRAINAGE INFORMATION . . . "Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency ("FEMA") has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded. According to the Engineer, 84 of the 1,053 undevelopable acres within the District are located in the floodplain as shown in the Federal Emergency Management Agency Flood Insurance Rate Map. None of the floodplain acreage is intended for development.

TABLE 1 – RATE AND FEE SCHEDULE

The Board of Directors establishes rates and fees for water and sewer service, subject to change from time to time. The following schedule sets forth the monthly rates and fees for the District's water and sewer service which are currently in effect.

Monthly Base Charge – Water: $35.00

Water Usage Charge

Gallons			
0-2,000 Gallons	$	2.30	(per 1,000 gallons)
2,001-5,000 Gallons	$	3.85	(per 1,000 gallons)
5,001-10,000 Gallons	$	4.24	(per 1,000 gallons)
10,001-20,000 Gallons	$	4.88	(per 1,000 gallons)
20,001-25,000 Gallons	$	5.86	(per 1,000 gallons)
25,001-30,000 Gallons	$	7.03	(per 1,000 gallons)
30,001-40,000 Gallons	$	10.55	(per 1,000 gallons)
40,000-and over Gallons	$	15.83	(per 1,000 gallons)

Monthly Charge(s) – Wastewater: $ 35.00 Base Fee, plus $2.90 per 1,000 Gallons

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TABLE 2 – OPERATING REVENUES AND EXPENSES STATEMENT – GENERAL FUND

The following statement sets forth in condensed form the consolidated historical operations of the District' General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary has been prepared from information obtained from the District's financial statements and records. Reference is made to such statements for further and more complete information. Also see "APPENDIX A – Excerpts from the Annual Financial Report."

	Fiscal Year End December 31,				
	2021	2020	2019	2018	2017
Revenues:					
Property Tax	$ 788,495	$ 321,239	$ 351,312	$ 304,466	$ 43,345
Water Service	649,599	530,224	303,771	104,361	45,002
Wastewater Service	329,767	194,956	96,836	48,858	25,513
Tap and Connection Fees	221,576	346,847	288,948	134,369	91,630
Interest	528	407	1,023	939	42
Total Revenues	$ 1,989,965	$ 1,393,673	$ 1,041,890	$ 592,993	$ 205,532
Expenditures:					
Water Service Fees	$ 542,856	$ 524,314	$ 273,577	$ 275,169	$ 308,354
Wastewater Services	67,494	119,207	-	753	33,723
Repairs and Maintenance	-	-	61,505	35,170	16,517
Inspection Fees	-	-	31,917	33,044	5,673
Utilities	-	-	15,061	14,323	7,727
Laboratory Expenses	-	-	18,504	29,632	7,281
Solid Waste Services	88,201	47,900	47,786	4,270	615
Landscaping	79,321	50,313	73,551	66,816	51,340
Insurance	12,066	10,972	9,830	2,503	1,975
Tax Assessor	8,616	3,878	2,376	1,443	60
Director Salaries and Taxes	7,428	8,074	4,521	5,167	6,459
Legal Fees	35,835	43,532	40,565	43,481	47,899
Audit Fees	8,000	8,000	8,000	8,000	8,000
Financial Advisor Fees	3,000	3,000	-	-	-
Accounting	36,683	36,169	37,950	37,000	20,185
Management and Consulting	129,740	48,868	99,765	88,017	15,696
Engineering Fees	49,768	50,048	102,052	58,538	58,706
Legal Notices	6,193	2,729	-	-	-
Printing and Office Supplies	14,438	23,003	11,399	14,417	8,454
Debt Service	193,941	179,760	175,010	77,840	-
Total Expenditures	$ 1,283,580	$ 1,159,767	$ 1,013,369	$ 795,583	$ 598,664
Excess (Deficiency) of Revenues Over Expenditures	$ 706,385	$ 233,906	$ 28,521	$ (202,590)	$ (393,132)
Beginning Fund Balance	$ 528,863	$ 294,957	$ 146,380	$ 1,048	$ 40,024
Developer Advances	-	-	120,056	347,922	354,156
Ending Fund Balance	$ 1,235,248	$ 528,863	$ 294,957	$ 146,380	$ 1,048

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DEBT SERVICE REQUIREMENTS

TABLE 3 – DEBT SERVICE SCHEDULE

Fiscal Year Ended 12/31	Existing Debt[a] Principal	Existing Debt[a] Interest	Existing Debt[a] Total	The Bonds Principal	The Bonds Interest[b]	The Bonds Total	Total Debt Service Requirements
2022	$ 365,000	$ 671,528	$ 1,036,528	$ -	$ -	$ -	$ 1,036,528
2023	385,000	851,818	1,236,818	-	114,949	114,949	1,351,767
2024	710,000	920,720	1,630,720	50,000	198,950	248,950	1,879,670
2025	855,000	893,921	1,748,921	105,000	195,950	300,950	2,049,871
2026	885,000	859,256	1,744,256	110,000	189,650	299,650	2,043,906
2027	925,000	823,118	1,748,118	120,000	183,050	303,050	2,051,168
2028	965,000	792,460	1,757,460	125,000	177,050	302,050	2,059,510
2029	1,000,000	760,750	1,760,750	130,000	170,800	300,800	2,061,550
2030	1,045,000	731,225	1,776,225	140,000	165,600	305,600	2,081,825
2031	1,085,000	701,631	1,786,631	145,000	160,000	305,000	2,091,631
2032	1,125,000	670,238	1,795,238	155,000	154,200	309,200	2,104,438
2033	1,175,000	637,290	1,812,290	165,000	148,000	313,000	2,125,290
2034	1,230,000	602,415	1,832,415	170,000	141,400	311,400	2,143,815
2035	1,275,000	564,676	1,839,676	180,000	134,600	314,600	2,154,276
2036	1,325,000	525,408	1,850,408	190,000	127,400	317,400	2,167,808
2037	1,390,000	483,545	1,873,545	200,000	119,800	319,800	2,193,345
2038	1,440,000	439,045	1,879,045	215,000	111,800	326,800	2,205,845
2039	1,510,000	392,158	1,902,158	225,000	103,200	328,200	2,230,358
2040	1,570,000	342,270	1,912,270	240,000	94,200	334,200	2,246,470
2041	1,635,000	289,773	1,924,773	250,000	84,600	334,600	2,259,373
2042	1,710,000	234,571	1,944,571	265,000	74,600	339,600	2,284,171
2043	1,565,000	176,066	1,741,066	280,000	64,000	344,000	2,085,066
2044	1,435,000	123,619	1,558,619	295,000	52,800	347,800	1,906,419
2045	915,000	77,775	992,775	310,000	40,631	350,631	1,343,406
2046	955,000	48,250	1,003,250	330,000	27,844	357,844	1,361,094
2047	385,000	17,325	402,325	345,000	14,231	359,231	761,556
	$ 28,860,000	$ 13,630,850	$ 42,490,850	$ 4,740,000	$ 3,049,305	$ 7,789,305	$ 50,280,155

(a) Excludes the District's $4,230,000 Bond Anticipation Note, Series 2022, which will be repaid with proceeds of the Bonds.
(b) Interest calculated at the rates shown on the inside cover page hereof.

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FINANCIAL STATEMENT
(Unaudited)

TABLE 4 – ASSESSED VALUE

2020 Certified Taxable Assessed Valuation	$	125,070,233	(a)
2021 Certified Taxable Assessed Valuation	$	192,906,919	(a)
2022 Certified Taxable Assessed Valuation	$	336,731,315	(a)
Preliminary Taxable Assessed Valuation (as of October 1, 2022)	$	410,899,000	(b)
Gross Direct Debt Outstanding	$	33,235,000	(c)
Ratio of Gross Direct Debt Outstanding to 2022 Certified Assessed Valuation		9.87%	
Ratio of Gross Direct Debt Outstanding to Preliminary Assessed Valuation (as of October 1, 2022).		8.09%	

(a) Assessed valuation of the District as reported by the Hays Central Appraisal District ("HCAD"). See "TAXING PROCEDURES."
(b) The Estimated Taxable Assessed Valuation (as of October 1, 2022) as provided by HCAD, is included solely for purposes of illustration. No taxes will be levied on this valuation unless it is certified by HCAD.
(c) Includes the Bonds and the District's $5,210,000 Unlimited Tax Bonds, Series 2022 which will be delivered on December 20, 2022. Excludes the 2022 BAN which will be repaid with proceeds of the Bonds. See "DEBT SERVICE REQUIREMENTS."

TABLE 5 – UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

Purpose	Date Authorized	Amount Authorized	Heretofore Issued	Being Issued	Unissued Balance
Water, Sewer, Drainage	11/6/2007	$ 64,700,000	$ 9,350,000	$ 4,740,000	$ 50,610,000
Refunding	11/6/2007	97,050,000	-	-	97,050,000
Road Improvements	11/3/2015	54,545,000	19,730,000	-	34,815,000
Refunding	11/3/2015	81,817,500	-	-	81,817,500
Total		$ 298,112,500	$ 29,080,000	$ 4,740,000	$ 264,292,500

TABLE 6 – CASH AND INVESTMENT BALANCES[a][b]

Operating Fund	$ 1,523,451
Debt Service Fund	$ 1,199,345
Capital Project Fund	$ 4,167,118

(a) Unaudited as of November 17, 2022.
(b) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the District's Debt Service Fund.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT . . . Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a first party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield. Under Texas law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board of Directors detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board of Directors.

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

TABLE 7 – CURRENT INVESTMENTS

As of November 17, 2022, the District is currently invested in a bank Money Market Fund and TexPool. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements.

Investments	Market Value	% of Total
TexPool	$ 6,841,330	99.29%
Checking/Money Market	48,584	0.71%
	$ 6,889,914	100.00%

ESTIMATED OVERLAPPING DEBT STATEMENT . . . Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from several sources, including information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. Political subdivision overlapping the District are authorized by 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.

Taxing Jurisdiction	Total Tax Supported Debt	Estimated % Applicable	District's Overlapping Tax Supported Debt as of 10/31/2022
Hays County	$ 498,550,764	0.62%	$ 3,091,015
Dripping Springs ISD	263,414,935	2.37%	6,242,934
City of Dripping Springs[(b)]	44,710,000	2.52%	1,126,692
North Hays County ESD #1	-	0.72%	-
Northwest Hays County ESD #5	-	1.17%	-
Headwaters MUD of Hays County	33,235,000	100.00%	33,235,000 [(a)]
Total Direct and Overlapping Tax Supported Debt			$ 43,695,641
Ratio of Direct and Overlapping Tax Supported Debt to 2022 Certified TAV			12.98%

(a) Includes the Bonds and the District's $5,210,000 Unlimited Tax Bonds, Series 2022 which will be delivered on December 20, 2022. Excludes the 2022 BAN which will be repaid with proceeds of the Bonds.
(b) Note: The City of Dripping Springs does not overlap the residential acreage within the District.

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TAX DATA

TABLE 8 – TAX COLLECTIONS

The following statement of tax collections sets forth in condensed form the historical fiscal year tax collection experience of the District. Such summary has been prepared by the Financial Advisor for inclusion herein based upon information from District audits and records of the District's Tax Assessor/Collector. Reference is made to such audits and records for further and more complete information.

Fiscal Year Ended 12/31	Tax Rate	General Operating Fund	Debt I&S Fund	Tax Levy	% Total Collections
2018	$ 0.9000	$ 0.9000	$ -	$ 203,883	100.00%
2019	0.9000	0.6500	0.2500	338,243	100.00%
2020	0.9000	0.5000	0.4000	537,737	100.00%
2021	0.9000	0.4000	0.5000	1,082,705	100.00%
2022	0.9000	0.2750	0.6250	1,733,633	99.14% [(a)]

(a) Collections through July 31, 2022

TABLE 9 – DISTRICT TAX RATES

	Tax Rates per $100 Assessed Valuation				
	FY2022	**FY2021**	**FY2020**	**FY2019**	**FY2018**
Debt Service	$ 0.6250	$ 0.5000	$ 0.4000	$ 0.2500	$ -
Maintenance	0.2750	0.4000	0.5000	0.6500	0.9000
Total	$ 0.9000	$ 0.9000	$ 0.9000	$ 0.9000	$ 0.9000

TAX RATE LIMITATION . . . The District's tax rate for debt service on the Bonds is legally unlimited as to rate and amount.

MAINTENANCE TAX . . . The District has the statutory authority to levy and collect an annual ad valorem tax for maintaining, repairing and operating the District's facilities and for paying administrative expenses of the District, if such maintenance tax is authorized by the District's voters. An election for such a tax was held on November 6, 2007 at which time a maintenance tax not to exceed $1.00 per $100 assessed valuation was approved by the District's voters. The District adopted a 2022 tax year maintenance tax of $0.2750 and 2022 tax year debt service tax of $0.6250 in September 2022.

TABLE 10 – PRINCIPAL TAXPAYERS . . . The following list of principal taxpayers was provided by the Hays Central Appraisal District based on the 2022 tax rolls of the District, which reflect ownership as of January 1 of each year shown.

Taxpayer	Taxable Assessed Value	% of 2022 Taxable Assessed Valuation
Regency Ridge at Headwaters Apartments LLC	$ 28,313,674	8.41%
WFC Headwaters Owner VII LP[(a)]	9,700,680	2.88%
Weekley Homes LLC	6,573,138	1.95%
Ashton Austin Residential LLC	5,386,387	1.60%
Newmark Homes Austin LLC	3,684,250	1.09%
Taylor Morrison of Texas Inc.	3,087,750	0.92%
Oryx HW Office Inc.	2,503,670	0.74%
Taylor Morrison of Texas Inc.	2,416,560	0.72%
55 Resort at Dripping Springs LLC	1,403,080	0.42%
Purchasing Fund 2020-1 LLC	1,204,171	0.36%
	$ 64,273,360	19.09%

(a) The Developer.

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, their pro rata share of debt service on any contract tax bonds and any additional bonds or obligations payable from taxes which the District may hereafter issue (see "RISK FACTORS – 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 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. See "TAX DATA – District Bond Tax Rate Limitation," and "TAX DATA – Maintenance Tax."

Property Tax Code and County-Wide Appraisal District . . . The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State 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, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within the county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. 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 Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax roll and tax rate.

Property Subject to Taxation by the District . . . ***General*:** Except for certain exemptions provided by State law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the Appraisal District to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include: property owned by the State 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 non-profit cemeteries, farm products owned by the producer; and certain property owned by qualified charitable, religious, veterans, youth, or fraternal organizations. Goods, wares, ores and merchandise (other than oil, gas, or petroleum products) that are acquired in or imported into the state and forwarded out of state within 175 days thereafter are also exempt. Article VIII, Section 1-a of the Texas Constitution grants a $3,000 homestead exemption for all homesteads taxed by counties for farm-to-market roads and flood control purposes. Property owned by a disabled veteran or by the spouse of certain children of a deceased disabled veteran or a veteran who died while on active duty is partially exempt to between $5,000 and $12,000 of assessed value depending upon the disability rating of the veteran. 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. Also partially exempt are residence homesteads of certain persons who are disabled or at least 65 years old, not less than $3,000 of appraised value or such higher amount as the Board or the District's voters may approve. The District's tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

Residential Homestead . . . The Board may exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt, then the Board may continue to levy and collect taxes against the exempted value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligation of the contract by which the debt was created. The District has never adopted a general homestead exemption.

Tax Abatement . . . Hays County and the District may enter into tax abatement agreements with owners of real property within such zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction for a period of up to ten years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. As of October 17, 2017, the District has not executed any abatement agreements.

Goods-in-Transit . . . Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provisions permit local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property. In February, 2008, the Board conducted a public hearing on the question of whether to provide for taxation of goods-in-transit and adopted a Resolution Providing for Taxation of Goods-in-Transit, by which the District took official action to tax goods-in-transit.

VALUATION OF PROPERTY FOR TAXATION . . . Generally, property in the District must be appraised by the HCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and formally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price that such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires the HCAD to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in the HCAD at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the HCAD or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the HCAD chooses formally to include such values on its appraisal roll.

DISTRICT AND TAXPAYER REMEDIES . . . Under certain circumstances taxpayers and taxing units (such as the District), may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury, if requested by any party. Additionally, taxing units may bring suit against the HCAD to compel compliance with the Property Tax Code.

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

LEVY AND COLLECTION OF TAXES . . . The District is responsible for the levy and collection of its taxes unless it elects to transfer the collection functions to another governmental entity. By August 15 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1. Taxes are due December 31, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to fifteen percent (15%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

ROLLBACK OF OPERATION AND MAINTENANCE TAX RATE . . . During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date (as to those provisions discussed herein) of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 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 "Special Taxing Units." 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 pursuant to SB 2 is described for each classification below.

Special Taxing Units

Special Taxing Units 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 Special Taxing Unit 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 Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts

Districts that do not meet the classification of a Special Taxing Unit 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 Special Taxing Unit, Developed District or Developing District was made by the Board of Directors on an annual basis, beginning with the 2021 tax rate. For the 2022 tax year, the District's Board of Directors has determined that the District is a Developing District. 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 on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL STATEMENT – Estimated Overlapping Debt Statement." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem residential homestead property within two years after the purchaser's deed issued at the foreclosure sale is filed in the county records other property may be redeemed by a taxpayer within 180 days of such filing) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "RISK FACTORS – Tax Collections and Foreclosure Remedies."

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

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

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

LEGAL MATTERS

LEGAL OPINIONS . . . Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of McLean & Howard, L.L.P., Austin, Texas ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Issuance of the Bonds is also subject to the legal opinion of McCall, Parkhurst & Horton L.L.P. ("Special Tax Counsel") that will address the matters described below under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

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

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

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

NO MATERIAL ADVERSE CHANGE . . . The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Official Statement.

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TAX MATTERS

OPINION . . . On the date of initial delivery of the Bonds, McCall, Parkhurst and Horton L.L.P., Special Tax Counsel to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law") (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Special Tax Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX C – Form of Special Tax Counsel Opinion."

In rendering its opinion, Special Tax Counsel will rely upon (a) the opinion of McLean & Howard L.L.P., Bond Counsel, that the Bonds are valid and binding obligations of the District payable from the proceeds of a generally-applicable ad valorem tax, (b) the District's federal tax certificate, and (c) covenants of the District relating to arbitrage and the application of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to comply with these representations or covenants could cause the interest on the Bonds to become included in gross income retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for the interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included to gross income retroactively to the date of issuance of the Bonds. The opinion of Special Tax Counsel is conditioned on compliance by the District with the covenants and requirements, and Special Tax Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Special Tax Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Special Tax Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with the proceeds of the Bonds. Special Tax Counsel's opinion represents its legal judgement based upon its review of Existing Law and the representations of the District that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Special Tax Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions accumulated, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporation’s “adjusted financial statement income” determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner’s social security number or other taxpayer identification number (“TIN”), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient’s federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the registered and beneficial owners. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via its Electronic Municipal Market Access system at www.emma.msrb.org.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data 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 in tables 1-3, 6, 8 and 9 and "APPENDIX A – Excerpts from the Annual Financial Report," if audited such financial statements in APPENDIX A are then available. The District will update and provide this information within six months after the end of each fiscal year. The District will provide the updated information to the MSRB.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if completed by the required time. If audited financial statements are not available within twelve months after any such fiscal year end, the District will file unaudited financial statements within twelve months after any such fiscal year end, and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in "APPENDIX A – Excerpts from the Annual Financial Report" or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is December 31. Accordingly, it must provide updated disclosure information by June 30 of each year and audited financial statements by December 31 unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The District will provide notice to the MSRB of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of bondholders; (3) Bond calls; (4) release, substitution, or sale of property securing repayment of the Bonds; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and (6) appointment of a successor or additional trustee or the change of name of a trustee.

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 the 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 status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation (as defined by the Rule which includes debt, debt-like, and debt-related obligations) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. Neither the Bonds or the Bond Order make any provision for debt service reserve or a trustee.

The District shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Rule. All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

For these purposes, (A) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. As used in this section, the term "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities as to which a final official statement (as defined in Securities and Exchange Commission Rule 15c2-12 (the "Rule")) has been provided to the MSRB consistent with the Rule. The District intends the words used in the above clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

AVAILABILITY OF INFORMATION FROM THE MSRB . . . The District has agreed to provide the foregoing information only to the MSRB. All documents provided by the District to the MSRB described above under "Annual Reports" and "Notice of Certain Events" will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

LIMITATIONS AND AMENDMENTS . . . The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered Owners may seek a writ of mandamus to compel the District to comply with its agreement.

This continuing disclosure agreement may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Bond Order that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The District became obligated in fiscal year 2017 and has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

FINANCIAL ADVISOR

The Official Statement was compiled and edited under the supervision of Specialized Public Finance Inc. (the "Financial Advisor"), which firm is currently employed as Financial Advisor to the District. The fees paid to 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. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

OFFICIAL STATEMENT

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 and Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described in the Notice of Sale under the heading "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS – Delivery." The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

CERTIFICATION AS TO OFFICIAL STATEMENT . . . The District, acting by and through its Board 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. Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the District has no obligation to disclose any changes in the affairs of the District and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the District delivers the Bonds to the Initial Purchaser at closing, unless extended by the Initial Purchaser. All information with respect to the resale of the Bonds subsequent to the "end of the underwriting period" is the responsibility of the Initial Purchaser.

ANNUAL AUDITS . . . Under Texas Law, the District must keep its fiscal records in accordance with generally accepted accounting principles. It must also have its financial accounts and records audited by a certified or permitted public accountant within 120 days after the close of each fiscal year of the District, and must file each audit report with the TCEQ within 135 days after the close of the fiscal year so long as the District has bond outstanding. Copies of each audit report must also be filed in the office of the District. The District's fiscal records and audit reports are available for public inspection during regular business hours, and the District is required by law to provide a copy of the District's audit reports to any Registered Owner or other member of the public within a reasonable time on request, upon payment of prescribed charges.

This Official Statement was approved by the Board of Directors of Headwaters Municipal Utility District of Hays County, as of the date shown on the first page hereof.

/s/ Drax Marlow
Secretary, Board of Directors
Headwaters Municipal Utility District of Hays County

/s/ Harvey Zinn, Jr.
President, Board of Directors
Headwaters Municipal Utility District of Hays County

LOCATION MAP

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Lago Vista
Jollyville
Windemere
Pflugerville
Hudson Bend
Lakeway
Bee Cave
West Lake Hills
Austin
Man
Headwaters
Dripping Springs
Manchaca
45
1
35
71
360
183
290
130

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PHOTOGRAPHS

The homes shown in the attached 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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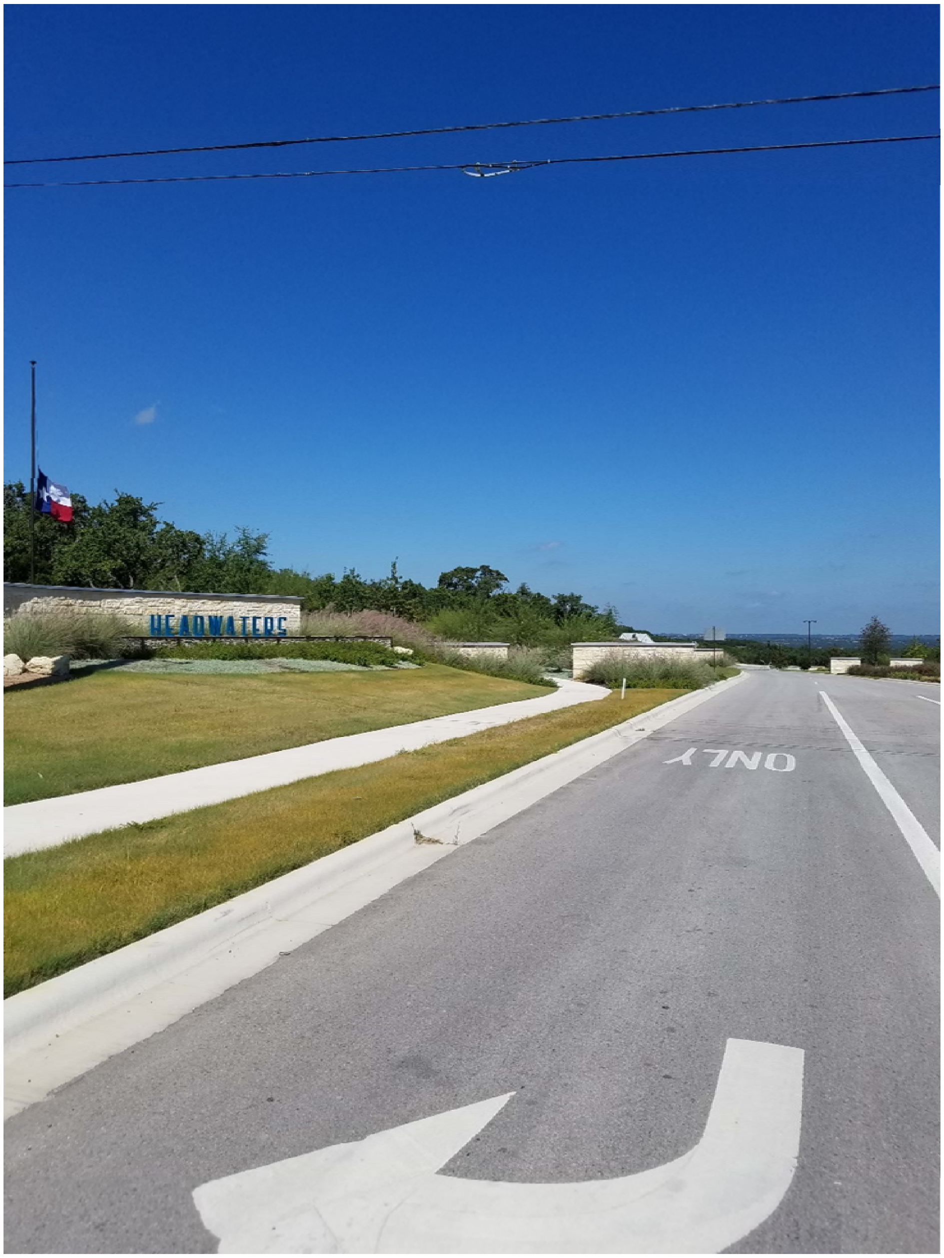
CENTRAL


HEADWATERS
ONLY

APPENDIX A

EXCERPTS FROM THE ANNUAL FINANCIAL REPORT

The information contained in this APPENDIX has been excerpted from the financial statements of Headwaters Municipal Utility District of Hays County for the fiscal year ended December 31, 2021, as prepared by the District's auditor West, Davis & Company, LLP.

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WEST, DAVIS & COMPANY
A LIMITED LIABILITY PARTNERSHIP

Independent Auditor's Report

Board of Directors
Headwaters Municipal Utility District of Hays County
Austin, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Headwaters Municipal Utility District of Hays County (the District) as of and for the year ended December 31, 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.

11824 JOLLYVILLE RD, SUITE 100 • AUSTIN, TEXAS 78759-2322
TELEPHONE 512.922.8809

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 December 31, 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.

West, Davis & Company

Austin, Texas
March 15, 2022

HEADWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY

Management Discussion and Analysis
For the Year Ended December 31, 2021

In accordance with Governmental Accounting Standards Board Statement 34 ("GASB 34"), the management of Headwaters Municipal Utility District of Hays County (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the year ended December 31, 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 unassigned fund balance at the end of the year was approximately $1.2 million which was an increase of $689 thousand from the end of the previous year end. Revenue increased from $1.4 million in the previous fiscal year to $2.4 million in the current fiscal year due to increased property tax and service account revenue as the result of growth within the District.

- **Debt Service Fund:** This fund balance increased from $1.042 million to $1.875 million due to the receipt of $307 thousand in bond proceeds and increased property tax revenue. This fund made interest payments of $464 thousand and principal payments of $145 thousand on bonded indebtedness.

- **Capital Projects Fund:** This fund balance increased from $1 thousand to $3.74 million during the year. The fund received $9.0 million in bond proceeds, net of issuance costs, and spent $5.266 million to acquire capital assets during the year.

- **Governmental Activities:** On a Government-wide basis for governmental activities, the District had revenue in excess of expenses, including other financing sources and uses of approximately $280 thousand. Net position, therefore, increased $280 thousand during the year.

OVERVIEW OF THE DISTRICT

The District, a political subdivision of the State of Texas, was created by the Texas Commission on Environmental Quality on August 8, 2007, pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code. The District was created and organized for the purpose of constructing water, sewer, and drainage facilities and providing water and sewer services to residential and commercial establishments within the District. The District is located entirely within Hays County and is partially located within the corporate boundaries of, and partially located within the extraterritorial jurisdiction of the City of Dripping Springs, Texas.

HEADWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY

Management Discussion and Analysis
For the Year Ended December 31, 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 Assets 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 Assets and the Statement of Activities.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Statement of Net Assets 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.

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 Assets 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)		
	December 2021	December 2020	Increase (Decrease)
Current and Other Assets	$ 7,664	$ 2,872	$ 4,792
Capital and Non-Current Assets	17,368	12,617	4,751
Total Assets	**25,032**	**15,489**	**9,543**
Current Liabilities	1,008	1,093	(85)
Long-Term Liabilities	23,558	14,210	9,348
Total Liabilities	**24,566**	**15,303**	**9,263**
Net Investment in Capital Assets	(3,212)	(2,045)	(1,167)
Restricted	2,221	1,409	812
Unrestricted	1,457	822	635
Total Net Position	**$ 466**	**$ 186**	**$ 280**

The District's total assets were approximately $25.0 million as of the end of the current fiscal year. Of this amount, approximately $7.0 million is accounted for by cash and short-term investments. The District had outstanding liabilities of approximately $24.5 million. The District's unrestricted net position, which can be used to finance day to day operations, totaled approximately $1.5 million.

HEADWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY

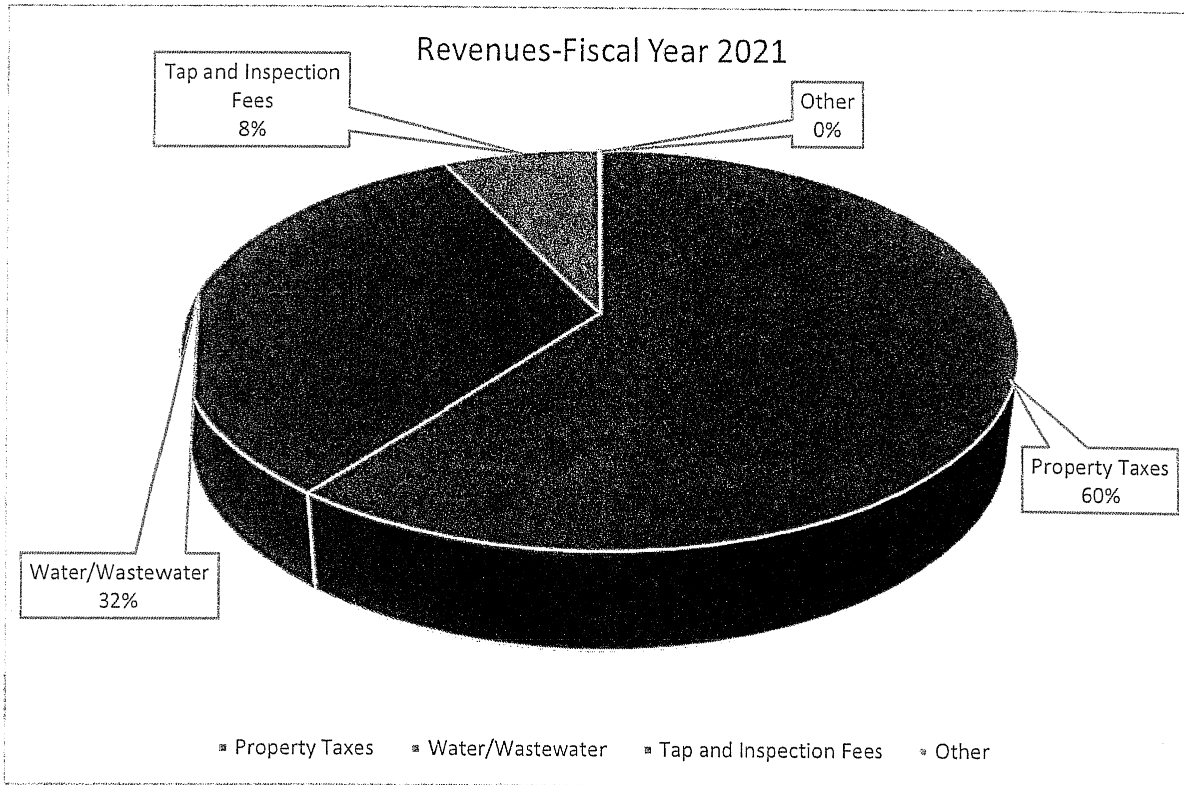
Management Discussion and Analysis
For the Year Ended December 31, 2021

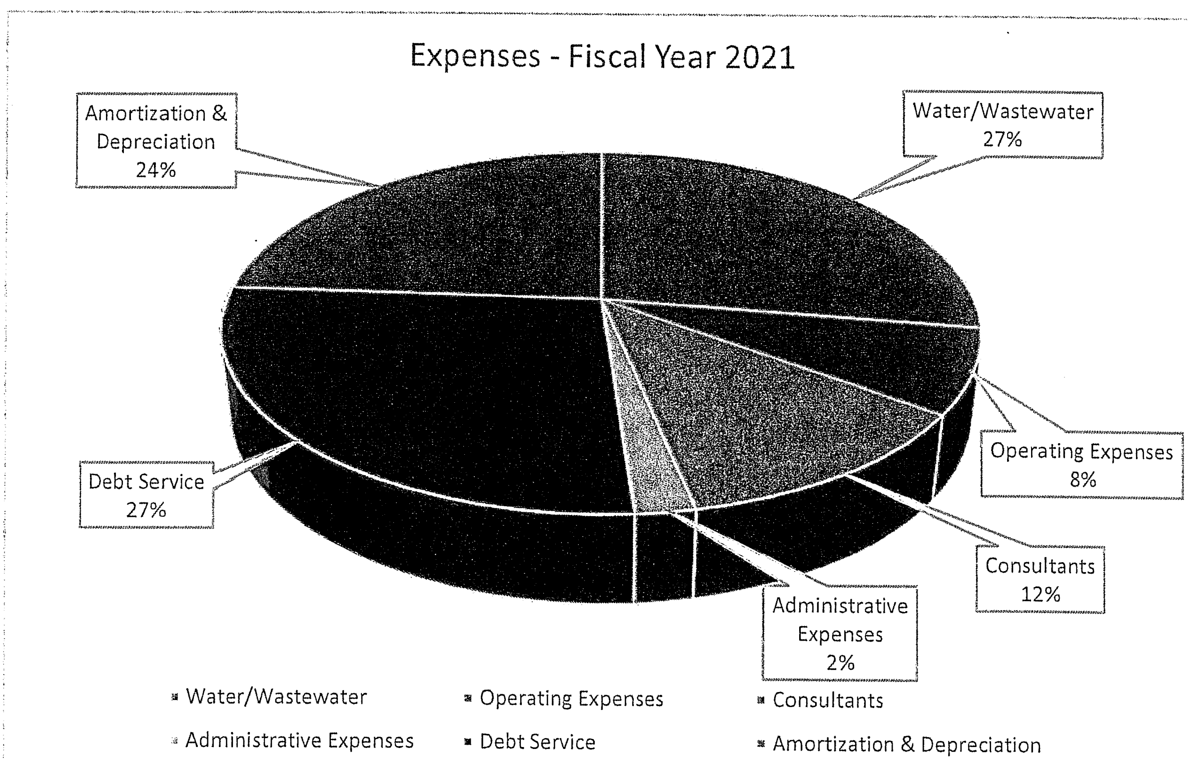
Summary Statement of Activities

	Governmental Activities (in thousands)		
	December 2021	December 2020	Increase (Decrease)
Property Taxes	$ 1,830	$ 1,152	$ 678
Water/Wastewater	979	725	254
Tap and Inspection Fees	222	347	(125)
Other	3	3	-
Total Revenues	**3,034**	**2,227**	**807**
Water/Wastewater	610	644	(34)
Operating Expenses	168	98	70
Consultants	264	190	74
Administrative Expenses	49	49	-
Debt Service	605	372	233
Amortization & Depreciation	538	422	116
Total Expenses	**2,234**	**1,775**	**459**
Other Financing Sources (Uses)	(520)	(421)	(99)
Change In Net Position	**280**	**31**	**249**
Beginning Net Position	**186**	**155**	**31**
Ending Net Position	**$ 466**	**$ 186**	**$ 280**

Revenues were approximately $3.0 million for the year. Expenses and Other Financing Uses were approximately $2.7 million for the year. The following charts summarize the sources of revenue and areas of expenses, excluding Other Financing Sources and Uses.

Management Discussion and Analysis
For the Year Ended December 31, 2021





Management Discussion and Analysis
For the Year Ended December 31, 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)		
	December 2021	December 2020	Increase (Decrease)
Cash and Investments	$ 7,000	$ 2,071	$ 4,929
Accounts Receivable	1,102	1,016	86
Prepaid Expenses	25	8	17
Total Assets	**8,127**	**3,095**	**5,032**
Accounts Payable	596	791	(195)
Customer Deposits	113	72	41
Deferred Revenue	567	659	(92)
Total Liabilities	**1,276**	**1,522**	**(246)**
Nonspendable	25	8	17
Restricted for Debt Service	1,875	1,043	832
Restricted for Capital Projects	3,741	1	3,740
Unassigned	1,210	521	689
Total Fund Balances	**6,851**	**1,573**	**5,278**
Total Liabilities and Fund Balances	**$ 8,127**	**$ 3,095**	**$ 5,032**

The General Operating Fund, which pays for daily operating expenses, has an unassigned balance of $1.2 million at the end of the current fiscal year. This is an increase of $689 thousand from the prior fiscal year.

The Debt Service Fund increased $832 thousand during the current fiscal year. The District issued $9.945 million of new bonds during the year. This fund remitted $145 thousand of bond principal and $464 thousand in bond interest during the year.

The Capital Projects Fund received $9.6 million of bond proceeds and spent $5.3 million to acquire capital assets during the year.

BUDGETARY HIGHLIGHTS

The Board of Directors adopted the fiscal year 2021 annual budget for the General Fund on September 14, 2020. The budget included revenues of $1.5 million and expenditures of $1.4 million. Actual revenue amounted to $2.0 million and actual expenditures amounted to $1.3 million. More detailed information about the District's budgetary comparison is presented in the Required Supplementary Information section.

CAPITAL ASSETS

The District's road facilities have been dedicated to Hays County which is responsible for operation and maintenance of these facilities. The District recognizes the $16.2 million in costs, as road usage rights. These costs are being amortized over 40 years. In addition, the District has acquired a wastewater treatment plant at a cost of $1.2 million by entering into a lease purchase agreement. This plant is being depreciated over 8 years. Land represents parcels conveyed to the District by the Developer.

Summary of Capital Assets

	Governmental Activities (in thousands)		
	December 2021	December 2020	Increase (Decrease)
Land	$ 1,327	$ 494	$ 833
Water and Wastewater System	1,186	1,163	23
Accumulated Depreciation	(423)	(290)	(133)
Usage Rights	16,244	11,810	4,434
Accumulated Amortization	(966)	(560)	(406)
Total Capital Assets (Net)	**$ 17,368**	**$ 12,617**	**$ 4,751**

LONG TERM DEBT

The District issued $5.805 million of unlimited tax road bonds and $4.140 of unlimited tax utility bonds during the year. More detailed information about the District's long-term debt is presented in the Notes to the Basic Financial Statements.

ECONOMIC FACTORS

The taxable assessed value of property within the District as of January 1, 2021, has been fixed by the Hays County Appraisal District at $192 million. The tax rates adopted by the District on September 16, 2021, for the coming fiscal year are $0.35 for maintenance and operations and $0.55 for debt service. The District expects this to produce $1.7 million in total property tax revenue for next year. The adopted budget for fiscal year 2022 projects an increase to 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 McLean & Howard, 901 South MoPac, Suite 225, Austin, Texas 78746.

BASIC FINANCIAL STATEMENTS

HEADWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY

STATEMENT OF NET ASSETS
AND GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2021

	GOVERNMENTAL FUNDS					STATEMENT
	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTAL	ADJUSTMENTS	OF NET ASSETS
ASSETS						
Cash	$ 627,507	$ -	$ 1,955	$ 629,462	$ -	$ 629,462
Investments	293,626	2,337,905	3,738,612	6,370,143	-	6,370,143
Accounts Receivable (Net of Allowance)	72,012	-	-	72,012	-	72,012
Property Taxes Receivable	221,709	345,663	-	567,372	-	567,372
Due From Other Funds	462,477	-	-	462,477	(462,477)	-
Unrealized Expenses	25,070	-	-	25,070	-	25,070
Land	-	-	-	-	1,326,709	1,326,709
Intangible Assets (Net of Amortization)						
Service Rights	-	-	-	-	15,277,803	15,277,803
Capital Assets (Net of Depreciation)						
Wastewater Treatment Plant	-	-	-	-	763,511	763,511
Total Assets	**$ 1,702,401**	**$ 2,683,568**	**$ 3,740,567**	**$ 8,126,536**	**$ 16,905,546**	**$ 25,032,082**
LIABILITIES						
Accounts Payable	$ 132,444	$ -	$ -	$ 132,444	266,990	$ 399,434
Customer Deposits	113,000	-	-	113,000	-	113,000
Due To Other Funds	-	462,477	-	462,477	(462,477)	-
Capital Lease Payable in less than one year	-	-	-	-	130,993	130,993
Capital Lease Payable in more than one year	-	-	-	-	612,499	612,499
Bonds Payable in less than one year	-	-	-	-	365,000	365,000
Bonds Payable in more than one year	-	-	-	-	22,945,210	22,945,210
Total Liabilities	**245,444**	**462,477**	**-**	**707,921**	**23,858,215**	**24,566,136**
DEFERRED INFLOWS OF RESOURCES						
Property Taxes	221,709	345,663	-	567,372	(567,372)	-
Total Deferred Inflows	**221,709**	**345,663**	**-**	**567,372**	**(567,372)**	**-**
FUND EQUITY						
Nonspendable	25,070	-		25,070	(25,070)	-
Restricted For Debt Service		1,875,428		1,875,428	(1,875,428)	-
Restricted For Capital Projects			3,740,567	3,740,567	(3,740,567)	-
Unassigned	1,210,178			1,210,178	(1,210,178)	-
Total Fund Equity	**1,235,248**	**1,875,428**	**3,740,567**	**6,851,243**	**(6,851,243)**	**-**
Total Liabilities, Fund Equity & Deferred Inflows of Resources	**$ 1,702,401**	**$ 2,683,568**	**$ 3,740,567**	**$ 8,126,536**		
NET POSITION						
Net Investment in Capital Assets					(3,212,102)	(3,212,102)
Restricted for Debt Service					2,221,091	2,221,091
Unrestricted					1,456,957	1,456,957
Total Net Position					**$ 465,946**	**$ 465,946**

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

HEADWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2021

	GOVERNMENTAL FUNDS					STATEMENT
		DEBT	CAPITAL			OF
REVENUES	GENERAL	SERVICE	PROJECTS	TOTAL	ADJUSTMENTS	ACTIVITIES
Property Tax	$ 788,495	$ 1,133,354	$ -	$ 1,921,849	$ (91,915)	$ 1,829,934
Water Service	649,599	-	-	649,599	-	649,599
Wastewater Service	329,767	-	-	329,767	-	329,767
Tap and Connection Fees	221,576	-	-	221,576	-	221,576
Interest	528	2,476	400	3,404	-	3,404
TOTAL REVENUES	**1,989,965**	**1,135,830**	**400**	**3,126,195**	**(91,915)**	**3,034,280**
EXPENDITURES						
Current:						
Water Service Fees	542,856	-	-	542,856	-	542,856
Wastewater Services	67,494	-	-	67,494	-	67,494
Solid Waste Services	88,201	-	-	88,201	-	88,201
Landscaping	79,321	-	-	79,321	-	79,321
Legal Fees	35,835	-	-	35,835	-	35,835
Audit Fees	8,000	-	-	8,000	-	8,000
Accounting	36,683	-	-	36,683	-	36,683
Management and Consulting Fees	129,740	-	-	129,740	-	129,740
Engineering Fees	49,768	-	-	49,768	-	49,768
Financial Advisor Fees	3,000	1,125	-	4,125	-	4,125
Tax Assessor -Collector	8,616	-	-	8,616	-	8,616
Director Salaries and Taxes	7,428	-	-	7,428	-	7,428
Insurance	12,066	-	-	12,066	-	12,066
Legal Notices	6,193	-	-	6,193	-	6,193
Printing and Office Supplies	14,438	-	-	14,438	-	14,438
Debt Service:						
Interest	42,064	463,854	-	505,918	99,112	605,030
Principal	129,116	145,000	-	274,116	(274,116)	-
Amortization	-	-	-	-	406,100	406,100
Depreciation	-	-	-	-	131,858	131,858
Capital Expenditures	22,761	-	5,266,131	5,288,892	(5,288,892)	-
TOTAL EXPENDITURES	**1,283,580**	**609,979**	**5,266,131**	**7,159,690**	**(4,925,938)**	**2,233,752**
OTHER FINANCING SOURCES (USES)						
Bond Proceeds	-	306,881	9,638,119	9,945,000	(9,945,000)	-
Bond Discount	-	-	(111,875)	(111,875)	111,875	-
Bond Issuance Costs	-	-	(520,902)	(520,902)	-	(520,902)
TOTAL OTHER SOURCES	**-**	**306,881**	**9,005,342**	**9,312,223**	**(9,833,125)**	**(520,902)**
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures	706,385	832,732	3,739,611	5,278,728	(5,278,728)	-
Change in Net Position					279,626	279,626
Fund Balance/Net Position - Beginning	528,863	1,042,696	956	1,572,515	(1,386,195)	186,320
Fund Balance/Net Position - Ending	**$ 1,235,248**	**$ 1,875,428**	**$ 3,740,567**	**$ 6,851,243**	**$ (6,385,297)**	**$ 465,946**

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

HEARWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY
Notes to the Financial Statements
At and For the Year Ended December 31, 2021

1. Summary of Significant Accounting Policies

The accounting and reporting policies of the District relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles (GAAP) as applied to governmental entities. Generally accepted accounting principles for local governments include those principles prescribed by the *Governmental Accounting Standards Board* (GASB), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Headwaters Municipal Utility District of Hays County (the District), a political subdivision of the State of Texas, was created on August 8, 2007, by the Texas Commission on Environmental Quality pursuant to the provisions of Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code. The District was created and organized for the purpose of constructing water, sewer, and drainage facilities and providing water and sewer services to residential and commercial establishments within the District.

These financial statements report the financial activity of the District. The reporting entity of the District encompasses those activities and functions over which the District's elected officials exercise significant oversight or control. The District is governed by a five-member Board of Directors (the Board) that has been elected by District residents. The funds and government-wide financial statements 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 and utility service revenue.

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.

1. Summary of Significant Accounting Policies (continued)

Fund Financial Statements:

The governmental fund financial statement columns are labeled **Governmental 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.

HEARWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY
Notes to the Financial Statements
At and For the Year Ended December 31, 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's Board of Directors utilizes the budget as a management tool for planning and cost control purposes. All annual appropriations lapse at fiscal year end.

1. Summary of Significant Accounting Policies (continued)

E. Pensions

The District has not established a pension plan.

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. Service Accounts Receivable

The District provides for uncollectible accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amount considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the allowance. As of December 31, 2017, the allowance for uncollectible accounts was $-0-.

I. Capital Assets

Intangible assets, which consist of the right to use roads within the District, are reported in the governmental activities columns in the government-wide financial statements. Intangible assets are defined by GASB Statement No. 51 as assets which lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Such assets are recorded at historical cost if purchased or estimated fair value at the date of donation if donated. Intangible assets are amortized using the straight-line method over the estimated life of the assets, which in this case is estimated to be 40 years.

J. 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.

1. Summary of Significant Accounting Policies (continued)

K. Long-Term Debt

Unlimited tax bonds, which have been issued to acquire capital assets, are to be repaid from tax revenues of the District. In the Government-wide financial statements, long-term debt and other long-term obligations are, once issued and outstanding, 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.

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.

L. Deferred Outflows and Inflows of Resources

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

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

M. Recently Issued Account 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.

1. Summary of Significant Accounting Policies (continued)

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 has implemented this change in these financial statements.

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 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.

2. Cash and Investments (continued)

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 investments 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.

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

Investment	Fair Value Level	Rating	Maturity	Fair Value
TexPool	N/A	AAAm	1 Day Average	$6,370,143

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.

2. Cash and Investments (continued)

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

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

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

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

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.

2. Cash and Investments (continued)

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.

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 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 levy date. Taxes not paid by June 30 are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs. Property taxes were levied by the District on September 26, 2021, for the 2021 fiscal year at the rate of $0.90 per hundred assessed value ($0.35 for maintenance and $0.55 for debt service). Uncollected property taxes amounted to $567,372 at the end of the year.

4. Capital Assets

During the year, the District reimbursed developers $5,266,131 for the construction of roads and acquisition of right of way within the District. These roads have been dedicated to Hays County however the District recognizes the rights to use of these roads as an intangible asset. This cost is amortized over an estimated useful life of 40 years. Amortization in the amount of $406,100 has been charged to system operations for the year. Accumulated amortization amounted to $966,212 at the end of the year, leaving a net book value of $15,277,803.

Also during the year, the District acquired additional wastewater treatment facilities using available funds from general operations in the amount of $22,761. In previous years, the District acquired wastewater treatment facilities at a cost of $1,163,377 by entering into lease purchase agreements. These facilities are being depreciated over an estimated useful life of 8 years. Depreciation in the amount of $131,858 has been charged to system operations for the year. Accumulated depreciation amounted to $422,627 at the end of the year, leaving a net book value of $763,511.

4. Capital Assets (continued)

Capital Assets:	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021
Land	$ 494,380	832,329	-	$ 1,326,709
Wastewater System	1,163,377	22,761	-	1,186,138
Usage Rights	11,810,213	4,433,802	-	16,244,015
Total	13,467,970	5,288,892	-	18,756,862
Accumulated Amortization and Depreciation:				
Land	-	-	-	-
Wastewater System	(290,769)	(131,858)	-	(422,627)
Usage Rights	(560,112)	(406,100)	-	(966,212)
Total	(850,881)	(537,958)	-	(1,388,839)
Capital Assets (Net)	**$ 12,617,089**	**4,750,934**	**-**	**$ 17,368,023**

5. Bonds

At an election held within the District on November 6, 2007, voters authorized a total of $64,700,000 of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, owning, improving, extending, maintaining, repairing, or operating a waterworks system, a sanitary sewer system, and a drainage and storm water system for the District. At the same election, the voters of the District authorized the issuance of a total of $97,050,000 of refunding bonds.

At an election held on November 3, 2015, voters authorized the issuance of $54,545,000 in bonds for constructing, improving, acquiring, maintaining, financing or operating roads and related improvements. Additionally, at an election held on November 5, 2019, voters approved the creation of a commercial defined area within the boundaries of the District and authorized the issuance of $138,500,000 of bonds for water, wastewater and drainage system facilities to serve the commercial defined area and the levy of taxes in payment of the bonds.

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.

Under the terms of the Second Amendment to the Agreement Concerning Creation and Operation of Headwaters Municipal Utility District, as amended, the District has agreed to limit the amount of unlimited tax bonds to be issued to a maximum amount of $80,000,000.

5. Bonds (continued)

Bond activity during the year is summarized as follows:

Bonds:	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021
Unlimited Tax Road Bonds, Series 2017	$ 2,925,000	-	(80,000)	$ 2,845,000
Unlimited Tax Road Bonds, Series 2018	2,685,000	-	(65,000)	2,620,000
Unlimited Tax Road Bonds, Series 2020	4,500,000	-	-	4,500,000
Bond Discount-Road Bonds, Series 2020	(126,000)	-	5,250	(120,750)
Unlimited Tax Road Bonds, Series 2020A	3,740,000	-	-	3,740,000
Bond Discount-Road Bonds, Series 2020A	(111,824)	-	4,659	(107,165)
Unlimited Tax Road Bonds, Series 2021	-	5,805,000	-	5,805,000
Bond Discount-Road Bonds, Series 2021	-	(58,921)	-	(58,921)
Unlimited Tax Utility Bonds, Series 2021	-	4,140,000	-	4,140,000
Bond Discount-Utility Bonds, Series 2021	-	(52,954)	-	(52,954)
Total Bond Indebtedness	**$ 13,612,176**	**$ 9,833,125**	**$(135,091)**	**$ 23,310,210**

In December 2017 the District issued $3,000,000 in Series 2017 unlimited tax road bonds and used the proceeds to acquire certain road facilities within the District. The bonds are payable from and secured by a pledge of the proceeds of a continuing, direct, annual ad valorem tax without legal limitation as to rate or amount levied against all taxable property located within the District.

In December 2018 the District issued $2,685,000 in Series 2018 unlimited tax road bonds and used the proceeds to acquire certain road facilities within the District. The bonds are payable from and secured by a pledge of the proceeds of a continuing, direct, annual ad valorem tax without legal limitation as to rate or amount levied against all taxable property located within the District.

In June 2020 the District issued $4,500,000 in Series 2020 unlimited tax road bonds and used the proceeds to acquire certain road facilities within the District. The bonds are payable from and secured by a pledge of the proceeds of a continuing, direct, annual ad valorem tax without legal limitation as to rate or amount levied against all taxable property located within the District.

In November 2020 the District issued $3,740,000 in Series 2020A unlimited tax road bonds and used the proceeds to acquire certain road facilities within the District. The bonds are payable from and secured by a pledge of the proceeds of a continuing, direct, annual ad valorem tax without legal limitation as to rate or amount levied against all taxable property located within the District.

5. Bonds (continued)

In July 2021 the District issued $5,805,000 in Series 2021 unlimited tax road bonds and used the proceeds to acquire certain road facilities within the District. The bonds are payable from and secured by a pledge of the proceeds of a continuing, direct, annual ad valorem tax without legal limitation as to rate or amount levied against all taxable property located within the District.

In November 2021 the District issued $4,140,000 in Series 2021 unlimited tax utility bonds and plans to use the proceeds to construct certain wastewater facilities within the District. The bonds are payable from and secured by a pledge of the proceeds of a continuing, direct, annual ad valorem tax without legal limitation as to rate or amount levied against all taxable property located within the District.

The District's outstanding bonds are described as follows:

Issue	Original Amount	Installments (in thousands)			Final Maturity	Interest Rates			Balance Outstanding
Series 2017	$ 3,000,000	$75	to	$205	2042	2.3	-	4.125%	$2,845,000
Series 2018	2,685,000	65	to	185	2043	3.5	-	4.600%	2,620,000
Series 2020	4,500,000	110	to	320	2044	2.1	-	4.000%	4,500,000
Series 2020A	3,740,000	65	to	185	2044	2.0	-	5.000%	3,740,000
Series 2021	5,805,000	180	to	345	2046	2.0	-	5.000%	5,805,000
Series 2021Ut	4,140,000	130	to	245	2046	2.0	-	3.000%	4,140,000

Redemption

Series 2017 Bonds maturing on or after August 15, 2025, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on August 15, 2024, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, term bonds maturing on August 15 in the years 2028, 2030, 2032, 2037 and 2042 are subject to mandatory sinking fund redemption.

Series 2018 Bonds maturing on or after August 15, 2025, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on August 15, 2024, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, term bonds maturing on August 15 in the years 2027, 2030, 2033, 2036, 2039 and 2043 are subject to mandatory sinking fund redemption.

5. Bonds (continued)

Series 2020 Bonds maturing on or after August 15, 2026, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on August 15, 2025, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, term bonds maturing on August 15 in the years 2032, 2039 and 2044 are subject to mandatory sinking fund redemption.

Series 2020A Bonds maturing on or after August 15, 2027, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on August 15, 2026, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, term bonds maturing on August 15 in the years 2028, 2031, 2033, 2035, 2037, 2039, 2041 and 2044 are subject to mandatory sinking fund redemption.

Series 2020 Bonds maturing on or after August 15, 2027, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on August 15, 2026, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, term bonds maturing on August 15 in the years 2046 are subject to mandatory sinking fund redemption.

Series 2020U Bonds maturing on or after August 15, 2027, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on August 15, 2026, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, term bonds maturing on August 15 in the years 2033, 2036, 2038 and 2046 are subject to mandatory sinking fund redemption.

5. Bonds (continued)

Debt Service Requirements-Bonds

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

Ending December 31,		Principal		Interest		Totals
2022	$	365,000	$	671,529	$	1,036,529
2023		385,000		697,673		1,082,673
2024		710,000		684,583		1,394,583
2025		735,000		657,784		1,392,784
2026		760,000		629,719		1,389,719
2027-2031		4,285,000		2,766,367		7,051,367
2032-2036		5,180,000		2,134,691		7,314,691
2037-2041		6,290,000		1,315,445		7,605,445
2042-2046		4,940,000		344,383		5,284,383
Totals	**$**	**23,650,000**	**$**	**9,902,174**	**$**	**33,552,174**

6. Capital Leases

The District assumed responsibility for a lease purchase agreement in May 2018 to facilitate the acquisition of certain capital assets. At year end the agreement has a remaining non-cancellable term of 38 months with an option to extend for another 40 months. The District may exercise its option to purchase the facilities during the term of the lease for an amount that declines monthly. In addition, the District has an obligation to reimburse the developer in the amount of $299,860 for payments made prior to assumption by the District. In July 2018 the District entered into another lease purchase agreement with similar terms for its Phase 2 plant expansion. Payments under this lease purchase agreement commenced in February 2019.

Debt service requirements on lease purchase agreements as of the end of the year are as follows:

Ending December 31,		Principal		Interest		Totals
2022	$	130,993	$	31,607	$	162,600
2023		142,128		20,472		162,600
2024		105,254		9,577		114,831
2025		24,181		4,619		28,800
2026		26,318		2,482		28,800
2027		14,758		357		15,115
Totals	**$**	**443,632**	**$**	**69,114**	**$**	**512,746**

7. Risk Management

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

8. Contingencies

The District has an obligation to reimburse developers that have incurred costs benefitting the District and costs expended on behalf of the District for the construction of water, sewer, drainage and road 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.

9. 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.

10. Subsequent Events

The District has evaluated subsequent events as of March 15, 2022, the date the financial statements were available to be issued.

11. Reconciliation of Government-wide and Fund Financial Statements

Adjustments to convert the Governmental Funds Balance Sheet to the Statement of Net Assets:

Governmental Funds Total Fund Balances	**$ 6,851,243**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	17,368,023
Long-term liabilities (bonds payable) are not due and payable in the current period and, therefore, are not reported in the funds	(24,053,702)
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	(266,990)
Deferred tax revenue is not available to pay for current period expenditures and, therefore, is deferred in the funds	567,372
Total Net Position	**$ 465,946**

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

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

Governmental Funds Excess of Revenues over Expenditures	**$ 5,278,728**
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	(91,915)
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	5,288,892
Amortization Expense	(406,100)
Depreciation Expense	(131,858)
Governmental funds report principal payments as expenditures however, in the Statement of Activities, these payments are not reported as operating expenses	
Bond Principal	145,000
Lease Purchase Principal	129,116
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	(99,112)
Bond Proceeds are reported as other financing sources in the governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities	
Bond Proceeds	(9,945,000)
Bond Discount	111,875
Change in Net Assets	**$ 279,626**

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REQUIRED SUPPLEMENTARY INFORMATION

HEADWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	ORIGINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES			
Property Tax	$ 491,275	$ 788,495	$ 297,220
Water Service	501,853	649,599	147,746
Wastewater Service	204,527	329,767	125,240
Tap and Connection Fees	343,250	221,576	(121,674)
Interest	330	528	198
TOTAL REVENUES	**1,541,235**	**1,989,965**	**448,730**
EXPENDITURES			
Current:			
Water Service Fees	595,595	542,856	52,739
Wastewater Services	79,300	67,494	11,806
Solid Waste Services	71,216	88,201	(16,985)
Landscaping	77,000	79,321	(2,321)
Legal Fees	55,000	35,835	19,165
Audit Fees	10,000	8,000	2,000
Accounting	43,000	36,683	6,317
Management and Consulting Fees	120,000	129,740	(9,740)
Engineering Fees	65,000	49,768	15,232
Financial Advisor Fees	-	3,000	(3,000)
Tax Assessor -Collector	4,500	8,616	(4,116)
Director Salaries and Taxes	11,000	7,428	3,572
Insurance	12,000	12,066	(66)
Legal Notices	3,000	6,193	(3,193)
Printing and Office Supplies	18,400	14,438	3,962
Debt Service:			
Interest	208,680	42,064	166,616
Principal	-	129,116	(129,116)
Capital Expenditures	-	22,761	(22,761)
TOTAL EXPENDITURES	**1,373,691**	**1,283,580**	**90,111**
Excess (Deficit) of Revenues over Expenditures	167,544	706,385	538,841
Fund Balance - Beginning of Year	528,863	528,863	-
Fund Balance - End of Year	$ 696,407	$ 1,235,248	$ 538,841

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

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APPENDIX B

FORM OF BOND COUNSEL'S OPINION

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MCLEAN & HOWARD, L.L.P.
4301 BULL CREEK ROAD, SUITE 150
AUSTIN, TEXAS 78731
(512) 328-2008

January 17, 2023

We have acted as Bond Counsel for Headwaters Municipal Utility District of Hays County (the "District") in connection with the issuance of bonds (the "Bonds") by the District described as follows:

HEADWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY UNLIMITED TAX BONDS, SERIES 2023, dated January 17, 2023, in the aggregate principal amount of $4,740,000, bearing interest at the rate set forth in the Order authorizing the issuance of the bonds (the "Bond Order"), with such interest payable on February 15 and August 15 of each year, commencing August 15, 2023, until maturity or prior redemption, and maturing serially on August 15 in each year from 2024 through 2029, 2038 and 2039, and maturing as term bonds on August 15 in the years 2031, 2033, 2035, 2037, 2041, 2043, 2045 and 2047.

The Bonds maturing on or after August 15, 2029 are redeemable, in whole or in part, at the option of the District on August 15, 2028, or on any date thereafter, at a price of the par value thereof plus accrued interest to the date of redemption, in the manner provided in the Bond Order. Additionally, the Bonds maturing in 2031, 2033, 2035, 2037, 2041, 2043, 2045 and 2047 are subject to mandatory redemption prior to maturity at the times and in the amounts provided in the Bond Order. The Bonds are registered as to both principal and interest and are transferable, registrable, and payable in the manner provided in the Bond Order.

WE HAVE ACTED AS BOND COUNSEL for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon certificates executed by officers, directors, agents and representatives of the District. We have assumed no responsibility with respect to the financial condition of the District or the reporting or disclosure thereof in connection with the sale of the Bonds.

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

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

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

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

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

Our opinions are based on existing statutes, court decisions and other law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any statutes, case law or other law that may hereafter occur or become effective.

Respectfully yours,

APPENDIX C

FORM OF SPECIAL TAX COUNSEL'S OPINION

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January 17, 2023

We have acted as Special Tax Counsel in connection with the issuance and sale by the Headwaters Municipal Utility District of Hays County (the "Issuer") of $4,740,000 aggregate principal amount of its Unlimited Tax Bonds, Series 2023 (the "Bonds").

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

(a) the Resolution of the Issuer authorizing the issuance and sale of the outstanding note refunded with the proceeds of the Bonds;

(b) the Order of the Issuer authorizing the issuance and sale of the Bonds;

(c) schedules prepared by, and representations of, Specialized Public Finance Inc. and SAMCO Capital Markets, Inc. with respect to the issue price and yield of the Bonds and the purchase price;

(d) the Federal Tax Certificate of the Issuer dated as of the date of this opinion;

(e) the opinion of McLean & Howard, L.L.P. as Bond Counsel dated as of the date of this opinion;

(f) covenants of the Issuer regarding the use of the facilities financed with the proceeds of the Bonds and the use and investment of the proceeds of the Bonds and other funds of the Issuer; and

(g) such other documents as we deem relevant and necessary in rendering this opinion.

IN OUR OPINION, except as discussed below, the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code").

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

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds.

Respectfully yours,

600 Congress Ave.
Suite 2150
Austin, Texas 78701
T 512.478.3805
F 512.472.0871

717 North Harwood
Suite 900
Dallas, Texas 75201
T 214.754.9200
F 214.754.9250

Two Allen Center
1200 Smith Street, Suite 1550
Houston, Texas 77002
T 713.980.0500
F 713.980.0510

112 E. Pecan Street
Suite 1310
San Antonio, Texas 78205
T 210.225.2800
F 210.225.2984

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APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

Risk Premium: $_________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

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Specialized Public Finance Inc.
Financial Advisory Services