

JAN 08 2026

AGENDA

TO: THE BOARD OF DIRECTORS OF HEADWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY, AND TO ALL OTHER INTERESTED PERSONS:

Elaine D. Cardenas
COUNTY CLERK

PARA: LA JUNTA DIRECTIVA DEL DISTRITO DE SERVICIOS PÚBLICOS MUNICIPALES DE HEADWATERS DEL CONDADO DE HAYS, TEXAS, Y TODAS LAS DEMÁS PERSONAS INTERESADAS:

Notice is hereby given that the Board of Directors of Headwaters Municipal Utility District of Hays County will hold a regular meeting on Thursday, January 15, 2026, at 12:00 p.m., outside the boundaries of the District, at the offices of Armbrust & Brown, PLLC, located at 100 Congress Avenue, Suite 1300, Austin, Texas 78701, a designated meeting place for the Board of Directors. The meeting will be held for the following purposes:

Se notifica por el presente que la Junta Directiva del Distrito de Servicios Públicos Municipales de Headwaters del Condado de Hays llevará a cabo una asamblea regular a el jueves 15 de enero de 2026 a las 12:00 p.m. fuera de los límites del Distrito en las oficinas de Armbrust & Brown, PLLC located at 100 Congress Avenue, Suite 1300, Austin, Texas 78701, un sitio de reunión designado de la Junta Directiva. La asamblea se llevará a cabo con los siguientes propósitos:

Meeting Packet:

A copy of the meeting packet is available at the following website: <https://txdistrictinfo.org>

Public Comment:

Public comment will be allowed during the Public Comment agenda item. Members of the public that desire to provide public comment may do so.

Meeting Topics:

The meeting will be held for the following purposes:

1. Receive Public Comments.
2. Discuss, consider, and take action regarding approval of minutes of the Board of Directors' November 20, 2025, meeting.
3. Consider and take action regarding Monthly Operations:
 - a. Receive Retail Water and Wastewater Operations Report;
 - b. Discussion and possible action relating to delinquent customer accounts;
 - c. Receive Wastewater Treatment Plant and Disposal Facilities Operations Report;
 - d. Authorize repairs and maintenance to District water, wastewater and drainage infrastructure improvements;
 - e. Discussion and possible action regarding customer billing and payment matters; and

- f. Authorize action relating to District landscape services and property maintenance.
4. Discuss, consider and take action on pending engineering and construction projects relating to public infrastructure improvements serving the District:
 - a. Receive Report from District Engineer;
 - b. Approvals of Plans and Specifications;
 - c. Authorizations to Bid;
 - d. Award of Construction Contracts;
 - e. Approval of Construction Pay Estimates;
 - f. Approval of Construction Change Orders; and
 - g. Acceptance of Facilities.
 5. Discussion and possible action relating to request by Oryx Land Holdings, LLC and Longview Equity for water and wastewater service required for development within the Headwaters Commercial Tract.
 - a. Receive report from District Engineer regarding availability of water and wastewater service capacity.
 - b. Direction to proceed with negotiation and preparation of service agreement.
 6. Discussion and possible action relating to construction restoration activities by Dripping Springs Independent School District contractors on District lands.
 7. Discussion and possible action relating to landscaping and maintenance of District lands and facilities, including brush clearing and removal activities within open space areas.
 8. Discussion and possible action relating to construction of trail improvements and trail maintenance on District lands.
 9. Discussion and possible action relating to funding and installation of restroom facilities for the District park.
 10. Discussion and possible action relating to approval of proposal for engagement of West Davis & Company for Fiscal Year 2025 Financial Audit services.
 11. Conduct annual review and approval of District Investment Policy and Investment Strategies.
 12. Discussion and possible action relating to May 2, 2026 Director Election:
 - a. Consider and take action regarding Adoption of Order Calling Director Election for May 2, 2026;

Considerar la adopción de una Orden de Elección de Directores a celebrarse el 2 de mayo de 2026 y actuar al respecto;

- b. Approve Appointment of Election Agent;
Aprobar la designación del Agente Electoral;
 - c. Consider and take action regarding Approval of Election Services Contract and Joint Election Agreement with Hays County; and
Considerar la aprobación del Contrato de Servicios Electorales y del Convenio de Elecciones Conjuntas con el Condado de Hays y actuar al respecto; y
 - d. Authorize such other action as may be necessary or convenient to proceed with Director Election.
Autorizar toda otra medida que sea necesaria o conveniente para proceder con la Elección de Directores.
13. Consider and take action relating to approval of contract for legal services with Armbrust & Brown, PLLC (*see attached notice*) and termination of contract for legal services with McLean & Howard, LLP.
14. Consider and take action development matters pertaining to the Headwaters Residential Tract:
- a. Receive Residential Developer Report Relating to Status of Development, Construction and Sales Activities within the Headwaters Residential Tract.
15. Consider and take action regarding development matters pertaining to the Headwaters Commercial Tract:
- a. Receive Commercial Developer Report Relating to Status of Development, Construction and Sales Activities within the Headwaters Commercial Tract.
 - b. Approve Consent to Assignment of Water and Wastewater Service Capacity for lands in the District.
16. Consider and take action regarding approval of Bookkeeper Report and Payment of Bills and Invoices.

Anthony S. Corbett

Anthony S. Corbett,
Attorney for the District

The Board of Directors may go into Executive Session if necessary, pursuant to the applicable section of Subchapter D, Chapter 551, Texas Government Code, of the Texas Open Meetings Act, on any of the above matters. No final action, decision or vote will be taken on any subject or matter in Executive Session.

The District is committed to compliance with the Americans with Disabilities Act. Reasonable modifications and equal access to communications will be provided upon request. Please call Anthony Corbett at (512) 328-2008 for further information.

HEADWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY NOTICE OF CONTINGENT FEE ENGAGEMENT OF BOND COUNSEL

Pursuant to Texas Government Code Section 2254.1036, notice is hereby given that the Board of Directors of Headwaters Municipal Utility District of Hays County (the "District"), at the public meeting described in the Notice of Public Meeting to which this Exhibit is attached, shall consider the engagement of Armbrust & Brown, PLLC (the "Firm") to provide bond counsel services for a contingent fee. In support thereof, the Firm offers the following:

1. The reason for pursuing issuance of bonds (the matter that is the subject of the legal services for which the Firm would be retained) is to finance public infrastructure improvements required for development of lands within the District. The desired outcome of the matter is to issue bonds in accordance with state, federal tax and securities law.

2. The Firm is a nationally recognized in the field of municipal securities law, and currently serves as bond counsel for multiple municipal utility districts.

3. The District does not have attorneys and/or supporting personnel who can perform bond counsel services.

4. The District cannot reasonably engage attorneys for bond counsel services under hourly fee contracts without contingency because then the District would have to pay such attorneys their fees from the District's unrestricted general funds, regardless of whether bonds are successfully issued, and such amounts are limited and needed for other uses.

5. The Firm's compensation is contingent upon the issuance and from proceeds of the sale of the bonds. It is customary for legal and financial counsel services associated with an offering of municipal securities to be provided on a contingent basis.

6. This contingent fee contract is in the best interest of the District's residents because the arrangement allows the District to have certainty of its costs prior to the issuance of such bonds, which allows it to size its bonds with greater certainty. This arrangement also allows the District to preserve its right to discontinue the issuance of such bonds for any reason without expending any costs. Further, the fees are fixed and only become due and payable when bonds are successfully issued.

7. The Firm has no relationship with the District or its Board members other than its position as provider of bond counsel services.

MINUTES OF MEETING OF THE BOARD OF DIRECTORS OF
HEADWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY

Thursday, November 20, 2025

STATE OF TEXAS §
 §
COUNTY OF HAYS §

The Board of Directors of Headwaters Municipal Utility District of Hays County (the “District”) held a regular meeting, open to the public, commencing at 12:00 p.m. on Thursday, November 20, 2025, outside the boundaries of the District, at the offices of McLean & Howard, LLP, 4301 Bull Creek Road, Suite 150, Austin, Texas, 78731, a regular meeting place of the Board.

The roll was called of the directors of the Board, to-wit:

Brian Jacks	President
Charlie Meyer	Vice President
Drax Marlow	Secretary
Lisa Stephens	Assistant Secretary
Todd Bauer	Assistant Secretary

and all directors were present except Director Stephens and Bauer, thus constituting a quorum.

Also present were Jesse Malone and Warren Wilson from Malone Wheeler, Inc.; Mike Morin from Crossroads Utility Services; Tyler Wilson from Municipal Accounts & Consulting, Inc.; David Allen from Allen Engineering Group, Inc.; Will Wiess from Longview Equity; Jonathan Fitzgerald; and Anthony S. Corbett of McLean & Howard, L.L.P.

1. The Board requested public comment. A resident of the District provided public comment regarding the accuracy of information from the District, the appointment of a resident to a vacancy on the Board, the desire for more community representation on the Board, homeowners association concerns, and the Board meeting location and duration.

2. The Board considered approval of the minutes from the Board’s October 16, 2025, meeting. Upon a motion made by Director Meyer that was seconded by Director Jacks, the Board unanimously approved the meeting minutes as presented (3-0).

3. The Board considered unauthorized construction of improvements on District lands at 258 Townes. After discussion, Director Jacks made a motion to not require removal of turf installed on District lands provided the District shall retain the right to require removal at all times. Director Meyer seconded the motion, which the Board passed unanimously (3-0).

4. David Allen provided the Wastewater Operations Report. The Board took no action in response to the report.

5. Mr. Morin presented the monthly operations report for utility operations and services. He provided a summary of the status of water and wastewater operations and billing matters. He also reported on the status of lake levels and drought restrictions. A copy of the written Operations Report prepared by Crossroads Utility Services, L.L.C., is attached as an exhibit to these meeting minutes.

6. Mr. Malone presented the District Engineer report. A copy of the written engineer report is attached to these meeting minutes. The Board took no action in response to the report.

7. The Board considered possible action relating to request by Oryx Land Holdings, LLC for additional water service for Headwaters Commercial Tract. No action was taken by the Board.

8. The Board considered possible action relating to installation of picnic tables on District lands. Mr. Morin informed the Board that Crossroads had removed two tables and a swing on District lands. After discussion, the Board directed Mr. Morin to provide periodic notice to residents regarding the prohibition relating to installation of improvements on District lands, and that such encroachments will be removed and disposed.

9. The Board considered possible action relating to adoption of Amended Rate Order. After discussion, no action was taken by the Board.

10. Mr. Malone reported that Dripping Springs ISD's contractor had installed grass in the construction area for the wastewater force main.

11. The Board took no action relating to landscaping and maintenance of District lands and facilities.

12. The Board took no action regarding the construction of trail improvements.

13. Mr. Malone provided a report regarding the status of regulatory reviews for the proposed restroom facilities for the District park. The Board directed Mr. Malone to get pricing from the project architect to revise the design documents to be revised to allow for the solicitation of alternate bids for aesthetic improvements.

14. The Board considered the sale and issuance of \$3,000,000 Headwaters Municipal Utility District Unlimited Tax Bonds, Series 2025A (the "Bonds"). Mr. West presented the Agreed Upon Procedures Report for Developer Reimbursement with proceeds of the Bonds. After discussion, Director Jacks made a motion to approve the Agreed Upon Procedures Report as presentd. Director Marlow seconded the motion, which the Board passed unanimously (3-0). A copy of the Report is attached as an exhibit to these minutes.

15. Next, Director Jacks made a motion to approve payment of Bond Proceeds in accordance with the Agreed Upon Procedures Report and Closing Memorandum. Director Marlow seconded the motion, which the Board passed unanimously (3-0).

16. The Board considered approval of a Form of Receipt by WFC Headwaters Owner VII, L.P. After discussion, Director Jacks made a motion to approve the Form of Receipt by WFC Headwaters Owner

VII. Director Marlow seconded the motion, which the Board passed unanimously (3-0). A copy of the receipt is attached as an exhibit to these minutes.

17. The Board considered approval of a Resolution Amending Authorized Meeting Locations for Board of Director' meetings. After discussion, Director Meyer made a motion to approve the Resolution Amending Authorized Meeting Locations subject to revising the authorized meeting and posting locations as discussed. Director Jacks seconded the motion, which the Board passed unanimously (3-0). A copy of the Resolution is attached as an exhibit to these minutes.

18. Mr. Benton provided a report regarding the status of development activities in the Headwaters commercial lands. The Board took no action in response to the report.

19. The Board then considered a service availability letter for certain undeveloped lands in the Headwaters Commercial Tract. After discussion, Director Jacks made a motion to approve the service availability letter as presented. Director Marlow seconded the motion, which the Board passed unanimously (3-0). A copy of the service availability letter is attached as an exhibit to these minutes.

20. The Board then considered a Resolution Approving Budget for Fiscal Year 2026. Mr. Wilson presented the Budget to the Board. After discussion, Director Jacks made a motion to adopt the Resolution Approving Budget for Fiscal Year 2025. Director Marlow seconded the motion, which the Board passed unanimously (3-0). Copies of the Resolution and Budget are attached as exhibits to these minutes.

21. Mr. Wilson presented the Bookkeeper Report. After discussion, Director Meyer moved that the Board approve the report, including the Quarterly Investment Report, the transfer of funds, and the payment of bills and invoices as presented in the Bookkeeper Report. The motion was seconded by Director Jacks and passed unanimously (3-0). Copies of the Bookkeeper Report and the approved bills and invoices are attached as exhibits to these minutes.

22. The meeting adjourned by unanimous acclamation at 1:25 p.m.

Secretary, Board of Directors

(SEAL)



OPERATIONS REPORT

Headwaters Municipal Utility District
Board of Directors Meeting



January 15, 2026

**Headwaters Municipal Utility District
Operations Report
For the Month of December 2025**

GENERAL INFORMATION

Occupied Single Family Connections	<u>855</u>	x 3 =	<u>2565</u>	
Vacant Single Family Connections	<u>2</u>			
Amentiy Center/Commercial	<u>6</u>			
Vacant Commercial	<u>0</u>			
Irrigation	<u>9</u>			
Multi-Family	<u>1</u>		<u>248</u>	
Builder	<u>28</u>			
New Tap	<u>21</u>			
Vacant Builder	<u>1</u>			
Fire Hydrant	<u>0</u>			
Vacant Fire Hydrant	<u>17</u>			
No Bill	<u>3</u>			
Office Building	<u>1</u>			
WITH USAGE			<u>900</u>	
WITHOUT USAGE			<u>44</u>	
TOTAL CONNECTIONS			<u>944</u>	
			<u>2813</u>	Estimated Population

BACTERIOLOGICAL ANALYSIS

3 Water sample(s) taken on 12/09/25 All bacterial samples were satisfactory.

WATER ACCOUNTING

Total Gallons Received/Billing Period					
from	<u>11/16/25</u>	to	<u>12/15/25</u>	<u>10,298,000</u>	Gallons
Total Gallons Billed					
from	<u>11/16/25</u>	to	<u>12/15/25</u>	<u>9,352,000</u>	Gallons
Flushing	<u>11/16/25</u>	to	<u>12/15/25</u>	<u>10,000</u>	Gallons
Billing Adjustments					
from	<u>11/16/25</u>	to	<u>12/15/25</u>	<u>0</u>	Gallons
Gallons gain/loss				<u>(936,000)</u>	Gallons
Percentage gain/loss				<u>-9.09%</u>	



HEADWATERS MUD - WATER LOSS CHART

DATE FROM	DATE TO	MASTER METER	CONSUMPTION TOTALS	FLUSHING TOTALS	BILLING ADJUSTMENTS	GALLONS UNACCOUNTED	PERCENT GAIN/LOSS
10/16/21	11/15/21	6595000	6536000	0	0	-59000	-0.89%
11/16/21	12/15/21	5460000	4750000	6000	0	-704000	-12.89%
12/16/21	01/15/22	6048000	5082000	7500	0	-958500	-15.85%
01/16/22	02/15/22	3950000	3739000	7500	0	-203500	-5.15%
02/16/22	03/15/22	3890000	3839000	7500	0	-43500	-1.12%
03/16/22	04/15/22	7158000	6570000	15000	0	-573000	-8.01%
04/16/22	05/15/22	8637000	8352000	7500	0	-277500	-3.21%
05/16/22	06/15/22	12378000	10648000	7800	0	-1722200	-13.91%
06/16/22	07/15/22	13672000	11910000	7500	0	-1754500	-12.83%
07/16/22	08/15/22	15708000	13083000	7500	0	-2617500	-16.66%
08/16/22	09/15/22	11858000	12770000	36000	0	948000	7.99%
09/16/22	10/15/22	12658000	11089000	7500	0	-1561500	-12.34%
TOTALS		108,012,000.0	98,368,000.0	117,300.0	-	(9,526,700.0)	
AVERAGE		9,001,000.0	8,197,333.3	9,775.0	-	(793,891.7)	-8.82%
10/16/22	11/15/22	9903000	8723000	5000	0	-1175000	-11.87%
11/16/22	12/15/22	5717000	5105000	5000	0	-607000	-10.62%
12/16/22	01/15/23	5317000	4973000	5200	0	-338800	-6.37%
01/16/23	02/15/23	4787000	4584000	12700	0	-190300	-3.98%
02/16/23	03/15/23	6313000	6090000	3000	0	-220000	-3.48%
03/16/23	04/15/23	8030000	7198000	2750	0	-829250	-10.33%
04/16/23	05/15/23	9315000	9440000	2900	0	127900	1.37%
05/16/23	06/15/23	11278000	10484000	2800	0	-791200	-7.02%
06/16/23	07/15/23	13919000	12814100	0	0	-1104900	-7.94%
07/16/23	08/15/23	15141000	14207200	1250	0	-932550	-6.16%
08/16/23	09/15/23	13123000	13819100	3000	0	699100	5.33%
09/16/23	10/15/23	10990000	10654100	3000	0	-332900	-3.03%
TOTALS		113,833,000.0	108,091,500.0	46,600.0	0.0	(5,694,900.0)	
AVERAGE		9,486,083.3	9,007,625.0	3,883.3	0.0	(474,675.0)	-5.00%
10/16/23	11/15/23	8542000	9093200	5000	-116000	440200	5.15%
11/16/23	12/15/23	7301000	7715200	0	0	414200	5.67%
12/16/23	01/15/24	6058000	5397100	5000	0	-655900	-10.83%
01/16/24	02/15/24	5903000	5683100	1600	0	-218300	-3.70%
02/16/24	03/15/24	7994000	7342200	1850	0	-649950	-8.13%
03/16/24	04/15/24	9113000	8287100	0	0	-825900	-9.06%
04/16/24	05/15/24	8824000	8500200	1800	0	-322000	-3.65%
05/16/24	06/15/24	10147000	9856200	3660	0	-287140	-2.83%
06/16/24	07/15/24	11957000	8975200	0	0	-2981800	-24.94%
07/16/24	08/15/24	13542000	15307000	2900	0	1767900	13.05%
08/16/24	09/15/24	13944000	14615000	500	0	671500	4.82%
09/16/24	10/15/24	14403000	14276000	2000	0	-125000	-0.87%
TOTALS		117,728,000.0	115,047,500.0	24,310.0	(116,000.0)	(2,772,190.0)	
AVERAGE		9,810,666.7	9,587,291.7	2,025.8	(9,666.7)	(231,015.8)	-2.35%
10/16/24	11/15/24	12746000	12912000	4500	0	170500	1.34%
11/16/24	12/15/24	10485000	7386000	2500	0	-3096500	-29.53%
12/16/24	01/15/25	11336000	6632000	2500	0	-4701500	-41.47%
01/16/25	02/15/25	5857000	5134000	3000	0	-720000	-12.29%
02/16/25	03/15/25	6769000	6244000	2000	0	-523000	-7.73%
03/16/25	04/15/25	11858000	10925000	2000	0	-931000	-7.85%
04/16/25	05/15/25	12247000	10867000	2400	0	-1377600	-11.25%
05/16/25	06/15/25	12423000	11939000	2100	0	-481900	-3.88%
06/16/25	07/15/25	11971000	11141000	2500	0	-827500	-6.91%
07/16/25	08/15/25	15027000	14017000	2000	0	-1008000	-6.71%
08/16/25	09/15/25	16291000	14816000	2000	0	-1473000	-9.04%
09/16/25	10/15/25	16065000	15742000	2000	0	-321000	-2.00%
TOTALS		143,075,000.0	127,755,000.0	29,500.0	0.0	(15,290,500.0)	
AVERAGE		11,922,916.7	10,646,250.0	2,458.3	0.0	(1,274,208.3)	-10.69%
10/16/25	11/15/25	13777000	12870000	12900	0	-894100	-6.49%
11/16/25	12/15/25	10298000	9352000	10000	0	-936000	-9.09%
TOTALS		24,075,000.0	22,222,000.0	22,900.0	0.0	(1,830,100.0)	
AVERAGE		12,037,500.0	11,111,000.0	11,450.0	0.0	(915,050.0)	-7.60%
TOTALS		40,140,000.00	37,964,000.00	24,900.00	-	(2,151,100.00)	
3 MONTHS AVERAGE		40,140,000.0	37,964,000.0	24,900.0	0.0	(2,151,100.0)	-5.36%



HEADWATERS WATER USAGE SUMMARY REPORT

Billing Period	Residential (gallons)	Commercial (gallons)	708 Amenity (gallons)	708 A & B HOA (gallons)	Amenity Usage Including Irrg. (gallons)	Builder (gallons)	Apartments (gallons)	Apartments Irrigation (gallons)	Irrigation (gallons)	Billing Adjustments (gallons)	Fire Hydrant (gallons)	District (gallons)	Monthly Totals (gallons)	M.U.D. Master Meter Reads (gallons)	West Travis PUA Master Mtr (gallons)	Difference Between K-J (gallons)	Flushing (gallons)	Number of Residential Connections	Average Usage 1000 gal	Letters	Terminations
January 2024	4,503,100		14,000	40,000	54,000	216,000	290,000	95,000	16,000		4,000	118,000	5,296,100	5,563,000	5,552,000	(11,000)	5000	734	6.1	28	2
February 2024	5,683,000		68,000	336,000	404,000	120,000	313,000	109,000	17,000	-	8,000	212,000	6,866,000	6,438,000	6,454,000	16,000	1600	734	7.7	26	2
March 2024	7,342,200		117,000	189,000	306,000	159,000	276,000	145,000	63,000	-	10,000	468,000	8,769,200	8,725,000	8,695,000	(30,000)	1850	734	10.0	41	4
April 2024	6,764,100		121,000	56,000	177,000	224,000	283,000	146,000	127,000	-	3,000	563,000	8,287,100	9,767,000	9,765,000	(2,000)	0	758	8.9	20	0
May 2024	6,781,200		132,000	234,000	366,000	279,000	263,000	151,000	90,000	-	7,000	563,000	8,500,200	9,018,000	8,983,000	(35,000)	1800	776	8.7	32	1
June 2024	7,997,200		164,000	383,000	547,000	429,000	299,000	67,000	61,000	-	4,000	452,000	9,856,200	10,698,000	10,724,000	26,000	3660	787	10.2	-	0
July 2024	6,481,000		181,000	359,000	540,000	396,000	283,000	249,000	5,000	-	0	1,021,000	8,975,000	12,363,000	12,357,000	(6,000)	0	792	8.2	7	1
August 2024	11,538,000		160,000	567,000	727,000	1,051,000	309,000	198,000	409,000	-	14,000	1,050,000	15,298,000	16,513,000	16,522,000	9,000	2900	743	15.5	-	0
September 2024	10,536,000		161,000	376,000	537,000	934,000	331,000	192,000	403,000	-	612,000	1,070,000	14,615,000	12,538,000	12,526,000	(12,000)	500	734	14.4	-	0
October 2024	10,098,000		106,000	390,000	496,000	948,000	389,000	212,000	339,000	-	246,000	1,548,000	14,276,000	14,134,000	14,194,000	60,000	2000	734	13.8	62	0
November 2024	9,156,000		23,000	370,000	393,000	565,000	252,000	164,000	1,065,000	-	133,000	1,184,000	12,912,000	10,285,000	10,560,000	295,000	4500	745	12.3	23	3
December 2024	6,028,000		18,000	72,000	90,000	391,000	321,000	109,000	43,000	-	32,000	372,000	7,386,000	11,934,000	11,970,000	36,000	2500	751	8.0	22	0
2024 Total	92,907,800	-	1,265,000	3,372,000	4,637,000	5,712,000	3,609,000	1,837,000	2,638,000	-	1,073,000	8,621,000	121,034,800	127,956,000	128,302,000	346,000	26,310				
January 2025	5,253,000		17,000	206,000	223,000	343,000	338,000	70,000	42,000	-	6,000	357,000	6,632,000	8,133,000	8,089,000	(44,000)	2500	760	6.9	18	0
February 2025	4,385,000		18,000	21,000	39,000	145,000	360,000	38,000	23,000	-	92,000	51,000	5,134,000	5,403,000	5,446,000	43,000	2500	770	5.7	16	0
March 2025	5,334,000		28,000	67,000	93,000	131,000	320,000	18,000	54,000	-	109,000	185,000	6,244,000	9,643,000	9,643,000		2500	777	6.9	17	2
April 2025	8,647,000		46,000	123,000	169,000	238,000	326,000	63,000	363,000	-	5,000	1,114,000	10,925,000	12,127,000	12,118,000	(9,000)	2000	786	11.0	14	0
May 2025	8,543,000		36,000	155,000	191,000	332,000	269,000	92,000	360,000	-	84,000	996,000	10,867,000	12,247,000	13,006,000	759,000	2000	786	10.9	14	0
June 2025	9,407,000		73,000	136,000	209,000	274,000	345,000	67,000	998,000	-	62,000	549,000	11,911,000	12,247,000	13,006,000	759,000	2000	805	11.7	16	2
July 2025	9,175,000		110,000	122,000	232,000	280,000	281,000	89,000	579,000	-	31,000	474,000	11,141,000	12,359,000	12,373,000	14,000	2100	811	11.3	21	1
August 2025	11,345,000	76,000	56,000	301,000	357,000	454,000	294,000	212,000	345,000	-	284,000	650,000	14,017,000	17,472,000	16,718,000	(754,000)	2100	821	13.8	12	1
September 2025	11,350,000	46,000	50,000	180,000	230,000	645,000	300,000	95,000	584,000	-	839,000	740,000	14,829,000	15,418,000	15,452,000	34,000	2000	828	13.7	14	1
October 2025	11,538,000	63,000	32,000	289,000	321,000	818,000	292,000	280,000	382,000	-	675,000	1,373,000	15,742,000	15,891,000	15,884,000	(7,000)	2000	839	13.8	28	1
November 2025	10,277,000	63,000	61,000	155,000	216,000	768,000	312,000	167,000	332,000	-	0	735,000	12,870,000	11,258,000	11,246,000	(12,000)	12900	842	12.2	12	2
December 2025	7,239,000	63,000	27,000	174,000	201,000	483,000	315,000	71,000	240,000	-	0	740,000	9,352,000	9,983,000	10,049,000	66,000	10000	855	8.5	11	0
2025 Total	102,493,000	311,000	552,000	1,929,000	2,481,000	4,912,000	3,752,000	1,262,000	4,302,000	-	2,187,000	7,964,000	129,664,000	142,181,000	143,030,000	849,000	44,600				
TOTAL:	195,400,800	311,000	1,817,000	5,301,000	7,118,000	10,624,000	7,361,000	3,099,000	6,940,000	-	3,260,000	16,585,000	250,698,800	270,137,000	271,332,000	1,195,000	70,910				

	Residential		Amenty Center	Builder	Apartments	Apartments Irrigation	Irrigation		Fire Hydrant	District	Total	Master-Meter	Read Dates
Active	855		1	28	1	1	9		0	3	900	10,298,000	11/16/24-12/15/25
Vacant	2			1					17				



HEADWATERS MUNICIPAL DISTRICT
Water Report
December 2025
Total Water Flows

Month	2017	2018	2019	2020	2021	2022	2023	2024	2025
January		642	934	1,859	2,877	5,527	5,280	5,760	8,338
February		580	922	1,949	3,451	3,454	4,697	6,438	5,364
March		954	1,509	2,414	4,795	5,429	7,938	8,725	10,079
April		1,507	2,078	2,807	5,305	7,953	8,392	9,767	12,127
May		2,080	1,914	3,415	4,394	10,393	10,353	8,533	12,657
June		3,462	2,411	4,606	6,032	13,406	12,365	11,183	12,884
July		3,846	3,986	5,418	6,770	14,870	15,151	11,750	12,296
August	4,405	4,275	5,574	6,124	7,765	13,681	14,629	15,624	16,285
September	3,528	1,695	5,190	4,172	8,715	12,140	11,404	13,383	15,909
October	1,689	1,184	3,911	6,208	7,032	12,202	9,669	13,654	15,103
November	1,568	1,625	2,752	6,078	5,801	6,815	7,813	10,265	12,046
December	744	1,126	2,284	4,238	5,374	5,729	6,897	11,880	9,669
TOTAL	11,934	22,976	33,465	49,288	68,311	111,599	114,588	126,962	142,757

Bacteriological Analyses

Samples: 3 satisfactory taken on 12/9/2025

Chlorine Residual

December

Average	2.8
Maximum (4.0)	3.8
Minium (0.5)	1.7

Total Wastewater Billed

Month	2017	2018	2019	2020	2021	2022	2023	2024	2025
January		909.1	1,757.6	4,595.8	7,500.2	10,018.7	13,438.0	14,697.7	18,335.7
February		994.3	1,793.9	4,713.5	7,941.9	9,792.2	13,465.5	14,590.0	18,021.8
March		1,145.4	1,798.2	4,948.9	8,254.9	10,043.7	13,945.6	15,876.0	18,249.0
April		1,292.7	1,962.6	5,281.2	9,250.2	11,509.2	14,538.8	16,099.4	18,978.0
May		1,401.5	2,022.2	5,603.9	9,506.7	12,193.5	14,776.8	16,277.9	18,790.2
June		1,541.6	2,171.4	5,795.3	9,661.9	12,650.3	15,089.0	16,680.0	18,500.8
July		1,672.8	2,307.6	6,177.0	10,181.9	13,111.6	15,366.3	15,749.2	19,350.2
August	653.1	1,716.6	2,464.4	6,442.1	10,545.0	13,587.1	15,600.0	17,940.5	19,834.3
September	762.6	1,848.8	4,018.5	6,802.1	10,711.0	13,604.9	15,700.9	18,041.8	19,642.2
October	822.9	1,606.2	5,252.2	7,222.2	10,797.8	13,731.2	15,577.3	18,129.9	20,139.5
November	895.2	1,621.9	4,567.6	7,540.2	10,684.2	13,770.2	15,384.4	18,213.3	20,451.9
December	911.7	1,807.4	4,549.6	7,594.8	10,326.2	13,241.4	15,198.7	18,192.0	19,807.4



**HEADWATERS MUNICIPAL UTILITY DISTRICT
MAINTENANCE LOG > \$500
DECEMBER 2025**

01/27/25	451177A	IN DISTRICT HEADWATERS	REPAIRED METER - PULLED FIRE HYDRANT METERS FOR REPAIR PULLED FROM ROY BRANCH	\$1,362.75
02/21/25	453226A	HEADWATERS LS3 - BEVERLY COMM	SUBCONTRACT WORK COMPLETED AT FACILITY- CLEANED WET WELL.	\$1,562.80
02/25/25	454677A	HEADWATERS LS3 - BEVERLY COMM	DIESEL TANK(S) FILLED- TOP OFF DIESEL TANK REFUEL GENERATOR.	\$731.01
02/25/25	450380A	136 SAGE TRASHER CIR	INVESTIGATED POSSIBLE LEAK. FIELD WAS SO FULL OF WATER IT MADE A POND. FOLLOWED UPSTREAM AND FOUND MAIN LINE VALVE HIGH PITCHED SOUND IN THE MIDDLE OF THE STREET. MARKED AREA AND CALLED LOCATES. THE LINE IS 8FT DEEP.	\$1,581.75
02/27/25	450660A	136 SAGE TRASHER CIR	EXCAVATED 9FT DEEP AND EXPOSED 2" VALVE THAT WAS DAMAGED, WASN'T ABLE TO ISOLATE DAMAGED 2" POLY, ISOLATED MAIN TO BE ABLE TO STOP FLOW, TEMPORARY REPAIR IN ROAD INSTALL VALVE FOR 2" DAMAGED LINE, THEN BACK FILLED. 1/22/2025 DROPPED OFF SHORING THAT WE HAD RENTED FOR THE LEAK.	\$19,058.11
02/25/25	450926A	136 SAGE TRASHER CIR	TAGGED DOOR - CANCELLATION OF BOIL WATER COMPLETE. HUNG BOIL TAGS IN NEIGHBORHOOD FOR AFFECTED HOUSES.	\$775.26
03/11/25	451890A	136 SAGE TRASHER CIR	LANDSCAPED AFTER WATER MAIN REPAIR. DUG OUT 4 FEET OF ROAD BASE, AND WE LEFT 2 FEET OF EXISTING PEA GRAVEL. AND POUR, REPLACE THE 4 FEET WITH FLOWABLE FILL. CLEAN AND SWEEP SITE. WE WILL NEED TO RETURN AND COMPLETE ASPHALT.	\$7,113.67
03/12/25	453152A	136 SAGE TRASHER CIR	ASPHALT AFTER REPAIR. DUG OUT 4 INCH OF ROAD BASE. CUT AND CLEANED EDGES, THEN REPLACED WITH 4" ASPHALT. SWEEP AND CLEANED JOB SITE, WORK IS COMPLETE.	\$4,434.12
02/24/25	447061A	119 MOONLIT STREAM PASS	INSTALLED INFLOW PREVENTOR. 12/9 FROM UNITED RENTALS, BUILT PVC CONTRAPTION TO PUSH PLUG IN BUT THERE'S A CONCRETE LIP THAT WON'T ALLOW PLUG TO BE INSERTED. WILL NEED TO DO CONFINED SPACE ENTRY. (18 FT DEEP) 12/11 PICKED UP CONFINED SPACE PARTS TO MAKE ENTRY AND CHIP OUT CONCRETE, FOUND IT WAS 3" SO WE HAD TO CALL AND FIND A 3" PLUG AND MAKE ENTRY AND PLUG THE SEWER.	\$4,791.88
03/07/25	454905ASA	1703 HEADWATERS BLVD	CUSTOMER PROBLEM-DISTRICT LINES CLEAR. SEWER MAN HOLE NEEDED TO BE JETTED. CLEANED ABOUT 1,000 FEET AND CAMERA'D THE WHOLE LINE. REMOVED PLUG AND DEBRIS.	\$7,275.19
04/15/25	455096A	HEADWATERS LS2- TIERRA TRL	FM COMPLETED ANNUAL PM ON GEN.	\$1,564.00
04/15/25	455097A	HEADWATERS LS3-BEVERLY COMM	FM COMPLETED ANNUAL PM ON GEN.	\$1,633.00
04/15/25	459077A	HEADWATERS LS1-HAZY HILLS	FM COMPLETED ANNUAL PM ON GEN.	\$1,673.25

**HEADWATERS MUNICIPAL UTILITY DISTRICT
MAINTENANCE LOG > \$500
DECEMBER 2025**

04/03/25	459225A	HEADWATERS LS3- BEVERLY COMM	FACILITY WORK COMPLETED. CALLED OUT FOR "LOW WET WELL LOAD" UPON ARRIVAL, FOUND TRANSDUCER WRAPPED AROUND CHAIN TO PUMP AND BACK SIDE OF PUMP OFF. FLOAT WAS ALSO SITTING ON TOP OF THE SECOND PUMP. UNTANGLED AND CLEANED TRANSDUCER AND OFF FLOATS. WATCHED WET WELL FILL AND CYCLE THROUGH. REPORTED BACK TO DISPATCH. NO OTHER ISSUE.	\$550.00
04/16/25	460151A	HEADWATERS LS1-HAZY HILLS	FACILITY WORK COMPLETED.PM ON FACILITY. FOUND PUMP 2 BAD. IT WAS TRIPPING BREAKERS, PULLED PUMP AND TOOK TO PSI FOR REPAIRS.	\$1,306.75
04/02/25	454027A	1703 HEADWATER BLVD	SANITARY SYSTEM WORK COMPLETE. CUSTOMER CALLED IN ABOUT SINK ROAD. POPPED OPEN MANHOLE TO CHECK THE CONDITION INSIDE OF THE MANHOLE TO MAKE SURE NOTHING WASN'T BACKING UP. WE WILL SCHEDULE WITH WWTS TO TELEWISE.	\$1,038.25
04/09/25	456713A	1703 HEADWATERS BLVD	MET WITH CONTRACTOR. ASSISTED CONTRACTOR'S WITH TRAFFIC CONTROL WHILE THEY REPAIRED THE ASPHALT IN THE ROAD.	\$1,870.50
04/16/25	460016A	HEADWATER LS3-BEVERLY COMM	FACILITY WORK COMPLETED. PM AT FACILITY. TIGHTENED ALL ELECTRICAL CONTACTS AND CLEANED AND TESTED FLOATS.	\$772.75
05/13/25	464166A	1703 HEADWATERS BLVD	ASPHALT AFTER REPAIR.	\$6,879.37
05/08/25	459463A	186 SILVER SAGE CT	EXCAVATION WORK COMPLETED. EXCAVATED AND RELOCATED A SEWER BOX THAT WAS POSITIONED IN THE MIDDLE OF A NEW HOME'S DRIVEWAY. AFTER MOVING THE BOX TO A MORE SUITABLE LOCATION, THE AREA WAS BACKFILLED, AND USABLE MATERIAL WAS SAVED FOR FUTURE USE.	\$5,442.48
04/30/25	460358A	IN DISTRICT HEADWATERS	PURCHASED SUPPLIES 1 2" E-SERIES ELECTRONIC METER AND 1 ENDPOINT.	\$1,663.00
06/09/25	465217A	HEADWATERS LS1-HAZY HILLS	FACILITY WORK COMPLETED. SIZED CHECK VALVE. AFTER OPENING UP CHECK VALVE, FOUND THAT FLAPPER STILL WORKS BUT SHAFT IS SEIZED IN PLACE. ATTEMPTED TO LOOSEN UP SHAFT BUT HAD NO LUCK.	\$988.75
05/22/25	465241A	HEADWATERS LS1-HAZY HILLS	CONTINUED DIESEL PUMP RENTAL	\$4,079.35
06/06/25	465247A	HEADWATERS LS2-TIERRA TRL	SUBCONTRACT WORK COMPLETED AT FACILITY. WET WELL CLEANED TO BOTTOM	\$2,462.22

**HEADWATERS MUNICIPAL UTILITY DISTRICT
MAINTENANCE LOG > \$500
DECEMBER 2025**

06/06/25	466271A	HEADWATERS LS1-HAZY HILLS	ELEC TECH WORK COMPLETED. INSTALLED NEW PUMP IN PUMP 2 SLOT. TESTED PUMP ROTATION, AMP DRAW, AND FUNCTIONS. PUMP IS WORKING PROPERLY. FOUND CHECK VALVE ON PUMP 2 IS BROKEN. LEFT PUMP OFF, CLOSED VALVE ON DISCHARGE LINE, AND TAGGER EVERYTHING. CHECK VALVE IS ORDERED. DISASSEMBLED DIESEL BYPASS PUMP AND CALLED OFF RENTAL.	\$8,423.90
06/11/25	466688A	HEADWATERS LS-1-HAZY HILLS	FACILITY WORK COMPLETED. REPLACED BAD CHECK VALVE COMING FROM PUMP. CUT OLD BOLTS OFF AND REMOVED 90 ELBOW AND PIPE WITH ARV TO ALLOW SPACED FOR REMOVAL OF OLD ONE AND PUT NEW ONE IN PLACE AND TESTED FOR LEAKS. ISSUE RESOLVED.	\$2,411.75
06/11/25	466946A	HEADWATERS LS1-HAZY HILLS	FACILITY WORK COMPLETED. STRANGE NOISE WHEN PUMP RAN. FOUND CHECK VALVE ON PUMP 1 NOT CLOSING. TOOK CHECK VALVE APART AND FOUND RAGS KEEPING FLAPPER OPEN. CLEANED OUT CHECK VALVE AND CHECKED ALL INTERNAL PARTS. TESTED BOTH PUMPS AND FOUND NO ISSUE.	\$1,004.75
06/13/25	468119A	HEADWATERS LS1-HAZY HILLS	FACILITY WORK COMPLETED. REMOVED FLANGE 90 ELBOW AND SPOOL PIECE WITH ARV TO ALLOW THE REMOVAL OF BAD SWING CHECK. INSTALLED NEW CHECK AND REINSTALLED SPOOL AND FLANGE. TESTED FUNCTIONS, NO LEAKS.	\$1,875.75
06/27/25	461702A	HEADWATERS LS1-HAZY HILLS	SUBCONTRACT WORK COMPLETED AT FACILITY-HIGH LEVEL LS WWT DISPATCHED TO ASSIST PUMPING WET WELL DOWN TO NORMAL LEVEL.	\$5,526.00
06/24/25	466561A	HEADWATER LS1-HAZY HILLS	SANITARY SYSTEM WORK COMPLETE. PURCHASED 2 CHECK VALVES FOR PUMP DISCHARGE LINES.	\$3,842.28
06/24/25	467700A	HEADWATER LS1-HAZY HILLS	SUBCONTRACT WORK COMPLETED AT FACILITY. WWTS CLEANED DOWN TO BOTTOM.	\$2,592.49
06/26/25	468060A	HEADWATERS LS1-HAZY HILLS	CHECKED PUMP. PROVIDED PO FOR PURCHASE OF PUMP AND AUTHORIZED REPAIR	\$9,200.00
07/09/25	465632A	2500 BEVERLY DRIVE-DOM	DROPPED METER. I PICKED UP A 2" METER FROM THE SAN JUAN OFFICE, INSTALLED IT, AND PERFORMED A FLUSH TO ENSURE PROPER OPERATION. I ALSO CHECKED FOR LEAKS AND CONFIRMED EVERYTHING IS FUNCTIONING CORRECTLY.	\$639.99
08/06/25	474761A	IN DISTRICT HEADWATERS	ORDERED SIGNS FOR NO MOTORIZED VEHICLES AND PREFERRED PARKING.	\$1,133.72
09/03/25	461351A	HEADWATERS LS1-HAZY HILLS	FACILITY WORK COMPLETED. GOT CALL FROM DISPATCH ABOUT HIGH LEVEL IN WET WELL. RAN DIAGNOSTIC TEST AND FOUND THAT PUMP WINDINGS WERE SHORTING TO GROUND. CALLED WWTS TO PUMP WET WELL DOWN. GOT IN CONTACT WITH KELSEY AND SENT HIM PUMP TAG. 4/17 PULLED OLD PUMP OUT OF WELL AND DE-WIRED IT FROM THE PANEL TO MAKE ROOM FOR NEW PUMP FROM PSI. INSTALLED NEW PUMP AND WIRED IT IN TO PANEL. SET UP TEMPORARY DIESEL PUMP INTO OTHER PUMPS PIPING FOR PUMP AROUND.	\$10,484.62

**HEADWATERS MUNICIPAL UTILITY DISTRICT
MAINTENANCE LOG > \$500
DECEMBER 2025**

10/09/25	480929A	HEADWATERS LS1-HAZY HILLS	FACILITY WORK COMPLETED. DROPPED OFF PUMP THAT HAD BEEN FIXED BY PSI. WE ALSO PM'D LIFT STATION WHILE ONSITE.	\$1,276.00
09/25/25	472852A	2500 BEVERLY DRIVE-DOM	ADJUSTED METER UPRIGHT. INSTALLED 1½" FLANGE WITH BOLTS AND GASKET, AND SET METER BOX TO GRADE.	\$761.29
10/09/25	476188A	303 SILVER SAGE CT	EXCAVATED & REPAIRED SANITARY LINE. RELOCATED A DISCHARGE LINE THAT WAS PREVIOUSLY POSITIONED IN THE DRIVEWAY. WE EXCAVATED TO EXPOSE THE LINE, CUT AND REROUTED SECTIONS TO MOVE IT OUT OF THE DRIVEWAY AREA. THE EXISTING BOX WAS REINSTALLED, AND THE TRENCH WAS BACKFILLED WITH THE ORIGINAL GRAVEL AND LEVELED TO MATCH GROUND LEVEL.	\$5,168.56
11/11/25	478277A	HEADWATERS LS1-HAZY HILLS	SUBCONTRACT WORK COMPLETED AT FACILITY - FLEET MAINT REPLACED GENERATOR BATTERY	\$744.76
11/11/25	483900A	HEADWATERS LS2-TIERRA TRL	COMPLETED PREVENTATIVE MAINT AT FACILITY. PERFORM PM AT STATION. CLEANED AND TESTED FLOATS. PULLED AND INSPECTED PUMPS. TIGHTENED ALL ELECTRICAL CONTACTS. OPENED AND CLEANED OUT CHECK VALVES.	\$774.15
11/11/25	483902A	HEADWATERS LS3- BEVERLY COMM	COMPLETED PREVENTATIVE MAINT AT FACILITY. PERFORM PM AT STATION. CLEANED AND TESTED FLOATS. PULLED AND INSPECTED PUMPS. TIGHTENED ALL CONTACTS. OPENED AND CLEANED OUT BOTH CHECK VALVES.	\$774.15
11/14/25	485809A	HEADWATERS LS1 - HAZY HILLS	CHECKED PUMP./ INSTALLED REPAIRED PUMP IN LIFT STATION, TEST PUMP FUNCTIONS AND RUN AMPS.	\$9,653.30
11/11/25	483105A	IN DISTRICT HEADWATERS	REPAIRED METER . PULLED 4 F/H METER FINAL ACCOUNT. TOOK TO FMS FOR ANY REPAIR NEEDED. 10/31 PICK UP F/H METERS. FMS TESTED ALL 4 F/H METERS AND BACK FLOWS AND REPAIRED.	\$3,547.75
12/09/25	481857A	258 CACTUS WREN COURT	REPLACED BROKEN DISCHARGE: FOUND TWO BROKEN MALE ADAPTERS IN THE BOX. SHUT OFF THE BALL VALVE, REMOVED ALL COMPONENTS, AND INSTALLED THREE NEW MALE ADAPTERS WITH A COMPRESSION COUPLING. CLEARED OLD THREADS, ROCKS, AND DEBRIS, THEN TESTED THE PUMP BEFORE LEAVING.	\$855.99
11/19/25	484741A	IN DISTRICT HEADWATERS	MISC. PARK WORK. PARK ZIPLINE HAD BROKEN OFF. WENT TO LOWES AND PICKED UP D-RING TO REPLACE BROKEN EON ZIP LINE. USED LADDER TO PUT D-RING AND SEAT IN PLACE AND TIGHTEN EVERYTHING DOWN.	\$638.00
TOTAL FOR 2025				\$151,939.41

CUSTOMER BILLING REPORT
 HEADWATERS MUNICIPAL UTILITY DISTRICT
 November 21, 2025 Through December 20, 2025

Current Billing

Water	47,832.15	
Sewer	16,385.00	
TCEQ	767.20	
Water Base	48,476.40	
Sewer Base	41,056.40	
Misc	64.00	

Total Current Billing		\$154,581.15

Aged Receivables

30 Days	653.60	
60 Days	5,202.44	
90 Days	1,438.48	
120 Days	0.00	

Billed Arrears	7,294.52	
Credit Bal Fwd	-5,054.56	

Total Aged Receivables		\$2,239.96

Accounts Receivables

Penalty	1,125.71	
Water	72,148.02	
Sewer	17,457.30	
TCEQ	897.80	
Water Base	50,316.57	
Sewer Base	40,897.46	
Deposit	4,200.00	
Miscellaneous	662.00	

Total Accounts Receivables		\$187,704.86

Deposit Liability

Balance As Of	11/21/25	\$186,790.00
Collections		4,200.00
Deposits Applied		-1,400.00

Balance As Of	12/20/25	\$189,590.00



HEADWATERS MUNICIPAL UTILITY DISTRICT

Billing Report

December 2025

Connections	November	December
Active	925	925
Inactive	1	1
Total	926	926

New Connects	3	3
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Billing Recap

	November	November
Current Billing	\$293,063.14	\$154,581.15
Water	\$71,158.96	\$47,832.15
Sewer	\$17,542.37	\$16,385.00
State Assessment	\$889.71	\$767.20
Water Base	\$48,482.70	\$48,476.40
Sewer Base	\$40,881.40	\$41,056.40
Miscellaneous	\$114,108.00	\$64.00
Current Payments	\$324,125.89	\$187,704.86
Arrears		
30 Day	\$8,944.45	\$653.60
60 Day	\$2,518.85	\$5,202.44
90 Day	\$20.41	\$1,438.48
120 Day	\$0.00	\$0.00
Gross Arrears	\$11,483.71	\$7,294.52

Month	November	December
Total Customers	926	926
Letters	12	11
Disconnects	2	0



**HEADWATERS MUNICIPAL UTILITY DISTRICT
GENERAL MANAGER'S REPORT
WRITE-OFF LIST
December 2025**

Approved by the Board of Directors at the meeting held on January 15, 2025.

_____ Date _____

_____ Date _____

_____ Date _____

There are no write-offs for this period.

MUD WRITE-OFFS FISCAL YEAR TOTALS

	2023/24	2024/25	2025/26
OCTOBER			
WRITE-OFF	\$ -	\$ 346.02	\$ -
COLLECTED	\$ -	\$ -	\$ -
NOVEMBER			
WRITE-OFF	\$ 76.01	\$ -	\$ -
COLLECTED	\$ -	\$ -	\$ -
DECEMBER			
WRITE-OFF	\$ -	\$ -	\$ -
COLLECTED	\$ -	\$ -	\$ -
JANUARY			
WRITE-OFF	\$ -	\$ -	
COLLECTED	\$ -	\$ -	
FEBRUARY			
WRITE-OFF	\$ -	\$ -	
COLLECTED	\$ -	\$ -	
MARCH			
WRITE-OFF	\$ 75.61	\$ -	
COLLECTED	\$ -	\$ -	
APRIL			
WRITE-OFF	\$ -	\$ 122.03	
COLLECTED	\$ -	\$ -	
MAY			
WRITE-OFF	\$ -	\$ -	
COLLECTED	\$ -	\$ -	
JUNE			
WRITE-OFF	\$ -	\$ -	
COLLECTED	\$ -	\$ -	
JULY			
WRITE-OFF	\$ -	\$ 467.37	
COLLECTED	\$ -	\$ -	
AUGUST			
WRITE-OFF	\$ 305.80	\$ 238.47	
COLLECTED	\$ -		
SEPTEMBER			
WRITE-OFF	\$ -	\$ -	
COLLECTED	\$ -	\$ -	
TOTAL COLLECTIONS:	<u>\$ 457.42</u>	<u>\$ 1,173.89</u>	<u>\$ -</u>
TOTAL COLLECTED:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Headwaters Municipal Utility District

Monthly Meter Read Comparison for: December 2025
 In 1000 gallons

	<u>PUA</u>			<u>Headwaters Municipal Utility District</u>		
	12/1/2025 Previous	1/2/2026 Current	Usage (Kgal)	12/1/2025 Previous	1/2/2026 Current	Usage (Kgal)
HWY. 290	692604	702653	10049	692640	702623	9983
Totals			10049			9983
				Difference		<u>66</u>

The Ridge at Headwaters - Month End Occupancy & Leased Percentages - YTD

	19-Jul	19-Aug	19-Sep	19-Oct	19-Nov	19-Dec
Ending Occupancy	5.19%	15.48%	26.19%	31.55%	36.90%	52.98%
Number of Occupied Units	9	26	44	53	62	89
Ending Leased	27.38%	33.93%	42.26%	45.24%	55.36%	65.48%
Units Leased (168 total)	168	46	57	71	93	110
Amount Billed in Gallons			402,000	135,000	187,000	164,000
Average per Occupied Unit			9,136.5	2,547.0	3,016.5	1,842.6

	20-Jan	20-Feb	20-Mar	20-Apr	20-May	20-Jun	20-Jul	20-Aug	20-Sep	20-Oct	20-Nov	20-Dec
Ending Occupancy	58.34%	69.00%	79.66%	89.01%	95.00%	96.43%	98.00%	98.00%	98.00%	98.00%	90.00%	94.00%
Number of Occupied Units	98	116	134	150	160	162	165	165	165	165	151	158
Ending Leased	71.43%	79.00%	86.57%	93.12%	98.00%	98.81%	100.00%	99.00%	99.00%	99.00%	95.00%	97.00%
Units Leased (168 total)	168	120	133	145	156	165	166	168	166.32	166.32	166.32	159.6
Amount Billed in Gallons	179,000	210,000	265,000	295,000	310,000	341,000	364,000	357,000	393,000	351,000	361,000	301,000
Average per Occupied Unit	1,826.3	1,811.6	1,980.1	1,972.8	1,942.4	2,104.9	2,210.9	2,168.4	2,387.0	2,131.9	2,387.6	1,906.0

	21-Jan	21-Feb	21-Mar	21-Apr	21-May	21-Jun	21-Jul	21-Aug	21-Sep	21-Oct	21-Nov	21-Dec
Ending Occupancy	94.00%	91.00%	99.35%	99.35%	96.42%	97.20%	99.40%	97.61%	98.80%	97.61%	95.83%	95.23%
Number of Occupied Units	158	153	166	166	161	165	167	164	165	163	161	160
Ending Leased	97.00%	94.00%	100%	100%	100%	100%	100%	100%	100%	100%	99%	99%
Units Leased (168 total)	168	163	158	167	167	165	167	164	167	167	166	166
Amount Billed in Gallons	351,000	367,000	344,000	355,000	324,000	363,000	332,000	367,000	369,000	362,000	405,000	332,000
Average per Occupied Unit	2,222.6	2,400.6	2,072.3	2,138.6	2,012.4	2,200.0	1,988.0	2,237.8	2,236.4	2,220.9	2,515.5	2,075.0

	22-Jan	22-Feb	22-Mar	22-Apr	22-May	22-Jun	22-Jul	22-Aug	22-Sep	22-Oct	22-Nov	22-Dec
Ending Occupancy	97.61%	99.40%	97.02%	95.23%	96.42%	97.62%	95.23%	95.83%	96.42%	97.02%	97.02%	94.05%
Number of Occupied Units	163	166	162	165	163	164	161	161	162	163	163	158
Ending Leased	99.40%	100.00%	98.21%	99%	99.40%	97.62%	99.40%	98.80%	95.83%	97.62%	98.21%	95.24%
Units Leased (168 total)	168	166	166	164	164	154	164	166	165	161	164	165
Amount Billed in Gallons	375,000	422,000	352,000	363,000	331,000	327,000	308,000	333,000	357,000	355,000	411,000	403,000
Average per Occupied Unit	2,300.6	2,542.2	2,172.8	2,200.0	2,030.7	1,993.9	1,913.0	2,068.3	2,203.7	2,177.9	2,521.5	2,550.6

	23-Jan	23-Feb	23-Mar	23-Apr	23-May	23-Jun	23-Jul	23-Aug	23-Sep	23-Oct	23-Nov	23-Dec
Ending Occupancy	92.85%	94.64%	94.64%	98.21%	97.02%	98.21%	98.21%	97.62%	96.43%	92.86%	94.05%	91.07%
Number of Occupied Units	156	159	159	165	163	165	165	164	162	156	158	153
Ending Leased	93.45%	96.43%	98.81%	99.40%	98.81%	99.40%	99.40%	98.21%	98.21%	94.05%	95.24%	92.86%
Units Leased (168 total)	168	157	162	166	167	166	167	165	165	158	160	156
Amount Billed in Gallons	416,000	382,000	290,000	318,000	309,000	319,000	300,000	327,000	324,000	310,000	314,000	300,000
Average per Occupied Unit	2,666.7	2,402.5	1,823.9	1,927.3	1,895.7	1,933.3	1,818.2	1,993.9	2,000.0	1,987.2	1,987.3	1,960.8

	24-Jan	24-Feb	24-Mar	24-Apr	24-May	24-Jun	24-Jul	24-Aug	24-Sep	24-Oct	24-Nov	24-Dec
Ending Occupancy	90.48%	91.67%	90.48%	91.67%	95.83%	95.83%	94.05%	93.45%	90.48%	94.05%	93.45%	92.86%
Number of Occupied Units	152	154	152	154	161	161	158	157	152	158	157	156
Ending Leased	92.26%	92.26%	92.86%	93.45%	96.43%	98.81%	94.64%	94.05%	93.45%	94.05%	95.83%	95.83%
Units Leased (168 total)	168	155	155	156	162	166	159	158	157	158	161	161
Amount Billed in Gallons	290,000	313,000	276,000	283,000	263,000	299,000	283,000	309,000	331,000	389,000	252,000	321,000
Average per Occupied Unit	1,907.9	2,032.5	1,815.8	1,837.7	1,633.5	1,857.1	1,791.1	1,968.2	2,177.6	2,462.0	1,605.1	2,057.7

	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Ending Occupancy	94.05%	95.83%	96.43%	95.24%	91.07%	91.07%	88.10%	89.29%	86.31%	88.69%	90.48%	93.45%
Number of Occupied Units	158	161	162	160	153	153	148	150	145	149	152	157
Ending Leased	95.83%	96.43%	97.62%	94.64%	92.86%	90.48%	91.67%	88.69%	88.69%	89.29%	91.07%	95.24%
Units Leased (168 total)	168	161	162	164	159	156	152	154	149	149	150	160
Amount Billed in Gallons	338,000	360,000	320,000	326,000	269,000	345,000	281,000	294,000	300,000	292,000	312,000	315,000
Average per Occupied Unit	2,139.2	2,236.0	1,975.3	2,037.5	1,758.2	2,254.9	1,898.6	1,960.0	2,069.0	1,959.7	2,052.6	2,006.4

	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26
Ending Occupancy	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Number of Occupied Units												
Ending Leased	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Units Leased (168 total)	168											
Amount Billed in Gallons	338,000	360,000	320,000	326,000	269,000	345,000	281,000	294,000	300,000	292,000	312,000	315,000
Average per Occupied Unit	#DIV/0!											

Meters are read on the 15th of each month.

HEADWATERS Water Usage Analysis

(Usage in Thousands of Gallons)

District	24-Dec	25-Jan	25-Feb	25-Mar	25-Apr	25-May	25-Jun	25-Jul	25-Aug	25-Sep	25-Oct	25-Nov	25-Dec
2401 A Headwaters Blvd Irrigation	233	151	2	24	450	491	475	353	466	560	576	509	456
2401 B Headwaters Blvd Irrigation	102	176	49	34	358	378	74	121	184	180	797	226	284
251 A Hazy Hills Irrigation.	37	30	0	104	199	32	0	0	0	0	0	0	0
830 A Dayridge Irrigation.	0	0	0	23	107	95	0	0	0	0	0	0	0
2699 E Hwy 290 Unit# 1 Lift Station 1 Const. Water 708 Headwaters	0	0	0	0	0	0	0	0	0	0	0	0	0
2699 E Hwy 290 Unit# 2 Lift Station 2	0	0	0	0	0	0	0	0	0	0	0	0	0
2531 Beverly Dr- Lift Station	0	0	0	0	0	0	0	0	0	0	0	0	0
Total District	372	357	51	185	1114	996	549	474	650	740	1373	735	740
Residential HOA													
708 B Irrigation	0	127	21	60	0	0	308	149	127	56	83	58	72
708 Headwaters Amentiy Center Domestic	18	17	15	21	36	24	45	70	56	50	32	61	27
780 A Irrigation	72	79	0	7	123	155	136	122	174	124	206	97	102
Total Residential HOA	90	223	36	88	159	179	489	341	357	230	321	216	201
R&S Prep School Operating			3	5	10	12	28	40	37	14	14	16	14
Drispping Springs ISD								0	38	24	26	29	19
Oakwood Land Holdings LLC								0	1	8	23	18	30
Total Usage Commercial			3	5	10	12	28	40	76	46	63	63	63
Irrigation													
Connections	2	2	2	2	2	2	2	2	2	2	2	2	2
Headwaters Roundabout	0	28	9	17	7	1	418	222	170	170	170	147	150
1055 Kibo Ridge	6	4	0	0	62	76	37	5	4	4	1	5	0
404 Headwaters Blvd			14	31	215	217	139	122	45	205	43	47	45
Dripping Springs ISD									16	0	0	0	0
2500 Beverly Dr								0	0	123	54	37	23
Total Usage	6	32	23	48	284	294	594	349	235	502	268	236	218
Irrigation-HOA													
Connections	1	1	1	1	1	1	1	1	1	1	1	1	1
Total Usage	37	10	0	6	79	66	96	81	110	82	114	96	22
Single Family Residents													
751	760	760	777	777	795	805	811	821	827	838	842	855	855
Total SFR Usage	6028	5253	4385	5334	8647	8543	9407	9175	11345	11350	11538	10277	7239
Average SFR Usage	8.0	6.9	5.8	6.9	11.1	10.7	11.7	11.3	13.8	13.7	13.8	12.2	8.5
Multi Family													
1	1	1	1	1	1	1	1	1	1	1	1	1	1
Domestic Usage	321	338	360	320	326	269	345	281	294	300	292	312	315
1040 Flat Head Dr - Irr	109	70	38	18	63	92	67	89	212	95	280	167	71
Average MF Usage	321.0	338.0	360.0	320.0	326.0	269.0	345.0	281.0	294.0	300.0	292.0	312.0	315.0
Builders													
Connections	51	51	46	49	49	48	49	54	54	54	46	42	28
Total Builder Usage	391	343	146	131	238	332	274	280	454	645	818	768	483
Average Builder Usage	7.7	6.7	3.2	2.7	4.9	6.9	5.6	5.2	8.4	11.9	17.8	18.3	17.3
Fire Hydrant													
Connections	4	4	4	4	4	4	4	4	4	4	4	0	0
Total Usage	32	6	92	109	5	84	62	31	284	839	675	0	0
Total Usage	7,386	6,632	5,134	6,244	10,925	10,867	11,911	11,141	14,017	14,829	15,742	12,870	9,352



Monthly Operational Report For Public Water Systems Purchasing Treated Water From Another System
Which Uses Surface Water Sources or Groundwater Sources Under The Influence of Surface Water

PUBLIC WATER SYSTEM NAME: **HEADWATERS at BARTON CREEK**

System I.D. #: 1050184

Month: **November 2025**

Submitted by:

Date:

No. of Connections: **879**

License #:

Grade:

TREATED WATER PURCHASED FROM A WHOLESALE SUPPLIER				
Date	Quantity (mgd)	Date	Quantity (mgd)	Monthly Summary (MGD)
1	0.394	16	0.386	Total
2	0.394	17	0.454	Monthly
3	0.473	18	0.438	Purchase: 12.046
4	0.463	19	0.377	
5	0.459	20	0.302	Average
6	0.526	21	0.320	Daily: 0.402
7	0.390	22	0.321	
8	0.391	23	0.320	Maximum
9	0.390	24	0.376	Daily: 0.526
10	0.480	25	0.471	
11	0.495	26	0.344	Minimum
12	0.419	27	0.343	Daily: 0.302
13	0.519	28	0.344	
14	0.385	29	0.344	
15	0.385	30	0.343	

DISTRIBUTION SYSTEM (DISINFECTANT RESIDUAL MONITORING)		
Minimum allowable disinfectant residual:	0.5 mg/L	Percentage of the measurements below the limit this month:
Total no. of measurements this month:	31	<input type="text" value="0%"/> (1A)
No. of measurements below the limit:	0	
Percentage of the measurements below the limit last month:		<input type="text" value="0%"/> (1B)

TREATMENT TECHNIQUE VIOLATION	PUBLIC NOTIFICATION		
	Yes/No	If YES, Date when Notice was Given to the:	
More than 5.0% of the disinfectant residuals in the distribution system below acceptable levels for two consecutive months? - see (1A) and (1B)	NO	TCEQ	Customers*

* A sample copy of the Notice to the customers must accompany this report.

Monthly Operational Report For Public Water Systems Purchasing Treated Water From Another System
Which Uses Surface Water Sources or Groundwater Sources Under The Influence of Surface Water

PUBLIC WATER SYSTEM NAME: **HEADWATERS at BARTON CREEK**

System I.D. #: 1050184

Month: **December 2025**

Submitted by:

Date:

No. of Connections: **879**

License #:

Grade:

TREATED WATER PURCHASED FROM A WHOLESALE SUPPLIER				
Date	Quantity (mgd)	Date	Quantity (mgd)	Monthly Summary (MGD)
1	0.381	16	0.326	Total
2	0.371	17	0.228	Monthly
3	0.322	18	0.367	Purchase: 9.669
4	0.325	19	0.258	
5	0.303	20	0.258	Average
6	0.303	21	0.258	Daily: 0.312
7	0.303	22	0.389	
8	0.315	23	0.300	Maximum
9	0.345	24	0.301	Daily: 0.389
10	0.296	25	0.300	
11	0.376	26	0.300	Minimum
12	0.266	27	0.301	Daily: 0.228
13	0.267	28	0.300	
14	0.266	29	0.340	
15	0.376	30	0.314	
		31	0.314	

DISTRIBUTION SYSTEM (DISINFECTANT RESIDUAL MONITORING)		
Minimum allowable disinfectant residual:	0.5 mg/L	Percentage of the measurements below the limit this month:
Total no. of measurements this month:	34	<input type="text" value="0%"/> (1A)
No. of measurements below the limit:	0	
Percentage of the measurements below the limit last month:		<input type="text" value="0%"/> (1B)

TREATMENT TECHNIQUE VIOLATION	PUBLIC NOTIFICATION		
	Yes/No	If YES, Date when Notice was Given to the:	
More than 5.0% of the disinfectant residuals in the distribution system below acceptable levels for two consecutive months? - see (1A) and (1B)	NO	TCEQ	Customers*

* A sample copy of the Notice to the customers must accompany this report.

MASTER METER REPORT

DISTRICT: **HEADWATERS at BARTON CREEK**

MONTH: **December 2025**

LOCATION: **HWY. 290**

P.W.S. #: **1050184**

METER #: 56520972

		METER A	SIZE 8"
DAY	DATE	READ	TH GAL
Mon	1	692640	381.0
Tue	2	693021	371.0
Wed	3	693392	322.0
Thu	4	693714	325.0
Fri	5	694039	303.0
Sat	6	694342	303.0
Sun	7	694645	303.0
Mon	8	694948	315.0
Tue	9	695263	345.0
Wed	10	695608	296.0
Thu	11	695904	376.0
Fri	12	696280	266.0
Sat	13	696546	267.0
Sun	14	696813	266.0
Mon	15	697079	376.0
Tue	16	697455	326.0
Wed	17	697781	228.0
Thu	18	698009	367.0
Fri	19	698376	258.0
Sat	20	698634	258.0
Sun	21	698892	258.0
Mon	22	699150	389.0
Tue	23	699539	300.0
Wed	24	699839	301.0
Thu	25	700140	300.0
Fri	26	700440	300.0
Sat	27	700740	301.0
Sun	28	701041	300.0
Mon	29	701341	340.0
Tue	30	701681	314.0
Wed	31	701995	314.0
Thu	1	702309	
Total			9669.0
Avg			311.9
Max.			389.0
Min			228.0

Operator:

MASTER METER REPORT

DISTRICT: **HEADWATERS at BARTON CREEK**

MONTH: **December 2025**

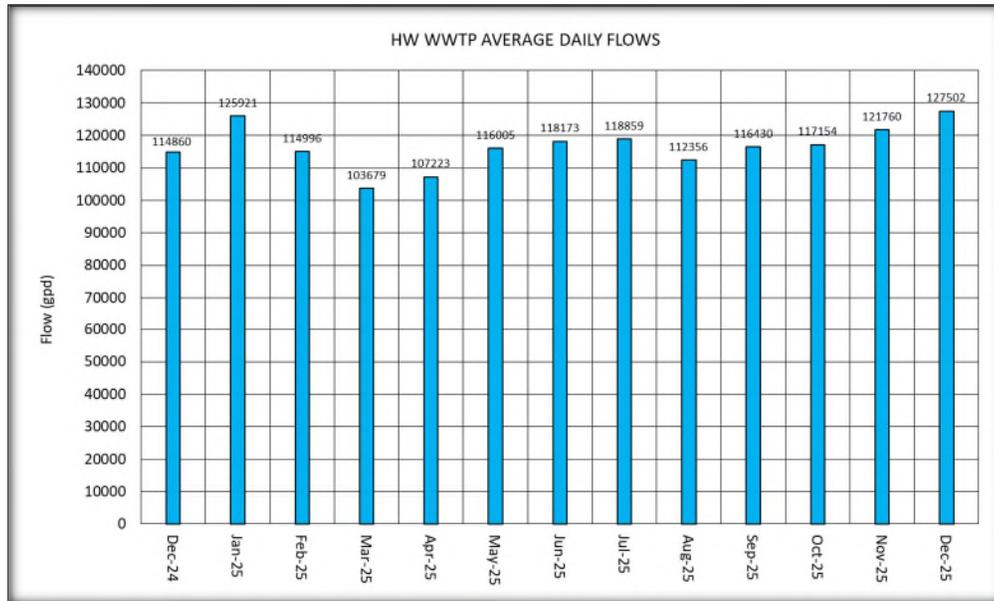
		TOTAL TH GAL PURCHASED	CHLORINE RESIDUAL
DAY	DATE	TH GAL	mg/L
Mon	1	381.0	2.5
Tue	2	371.0	2.9
Wed	3	322.0	3.1
Thu	4	325.0	3.0
Fri	5	303.0	3.5
Sat	6	303.0	2.5
Sun	7	303.0	2.9
Mon	8	315.0	2.1
Tue	9	345.0	2.2
Wed	10	296.0	2.0
Thu	11	376.0	2.2
Fri	12	266.0	1.9
Sat	13	267.0	3.8
Sun	14	266.0	3.1
Mon	15	376.0	3.4
Tue	16	326.0	2.0
Wed	17	228.0	2.7
Thu	18	367.0	3.5
Fri	19	258.0	3.4
Sat	20	258.0	1.7
Sun	21	258.0	3.1
Mon	22	389.0	2.9
Tue	23	300.0	3.7
Wed	24	301.0	3.1
Thu	25	300.0	3.3
Fri	26	300.0	2.5
Sat	27	301.0	3.0
Sun	28	300.0	2.4
Mon	29	340.0	3.3
Tue	30	314.0	3.6
Wed	31	314.0	3.0
Total		9669.0	
Avg		311.9	2.8
Max.		389.0	3.8
Min		228.0	1.7

Operator:

HEADWATERS WWTP OPERATIONS REPORT
November / December 2025

GENERAL

- Average flow – 121,760 gallons per day November, 127,500 gallons per day December
- Total treated flows – 3,530,730 gallons November / 3,806,000 December
- Total Landscape Irrigation Flows ~ 13,700 gallons November / 45,200 gallons December gallons. Previous high flows were caused by a leaking control valve.



EFFLUENT QUALITY SUMMARY

	BOD ₅ mg/L	TSS mg/L	Ammonia mg/L	Phosphorus mg/L	E Coli MPN	Turbidity NTU
Effluent Limits	5	5	2	1	126	< 3
January 25	< 1	ND	1.4	0.48	< 1	< 1
February 25	< 1	ND	ND	0.34	ND	< 1
March 25	ND	ND	0.3	0.60	< 1	< 1
April 25	< 1	ND	0.06	0.73	< 1	< 1
May 25	1	ND	0.08	0.73	ND	< 1
June 25	1	ND	< 1	0.86	< 1	< 1
July 25	< 2	ND	ND	0.56	ND	< 1
Aug 25	< 1	ND	0.08	0.78	ND	< 1
September 25	< 1	ND	0.07	0.80	< 1	< 1
October 25	< 1	2	0.13	0.92	< 1	< 1
November 25	< 1	ND	0.10	1	< 1	< 1
December 25	< 1	ND	0.05	0.82	< 1	< 1

All parameters within permit.

OPERATIONS AND MAINTENANCE

- Routine operations.
- Drip field repairs Phase 3 and 4.
- Replaced phase monitor on effluent transfer pump control panel.
- Replaced transducer in the effluent pump station.
- Replaced a solenoid valve on the Huber screen.

LANDSCAPE IRRIGATION PUMPS

Blew a seal on one of the pumps and after tearing it down to replace the seal, discovered the impellers were damaged. There are two alternatives to repair this.

1. Order just the impellers (wet end) of the pump from the original supplier for ~ \$3800.00. Comes with a one-year warranty.
2. Order a complete, new pump (motor and impellers) still on the pallet from Ebay for around \$2,300.00, no warranty.



MIXER

The mixer motor appears to have burned up; however, we won't know for sure until we pull the mixer adjacent to the catwalk so that the power cable can be eliminated as a potential cause.

HOGS

We are still seeing damage from animals, some of which appears to be hogs, other maybe caused by armadillos.



CIVIL ENGINEERING ★ DEVELOPMENT CONSULTING ★ PROJECT MANAGEMENT

ENGINEER'S REPORT HEADWATERS MUD

January 15, 2026

The following is a summary of engineering tasks and/or activities being undertaken on behalf of Headwaters MUD, Hays County, Texas:

1. Construction within the District:

- a. Headwaters Commercial East Phase 1
 - i. A final walk through was conducted on 5/1/2024. Notes from the final walk were sent to the contractor on 5/6/2024. Contractor has addressed all utility punch list items and THE MUD has accepted the utility improvements. Revegetation of open spaces is still ongoing and shall be complete prior to MUD acceptance of the pond facilities.
- b. Headwater Oakwood Market
 - i. Construction of private improvements is ongoing.
- c. DSISD Elementary School
 - i. Utility connections are complete. Revegetation is ongoing.

2. Plan Approvals/Revisions/Change Orders:

- a. None

3. MUD Plan Review:

- a. Headwaters Apartments Phase II
 - i. Update 1 plans were submitted 1/8/21. MUD comments were provided to LJA on 2/23/21. We are awaiting a response to our comments.
- b. Dripping Springs ISD Elementary School
 - i. Plans were submitted on 2/29/2024. The initial MUD review is complete, and comments were returned to the applicant on 4/4/2024. Resubmittal received on 6/5/2024 and is under MUD review. It has been communicated with the applicant that technical comments are generally cleared with exception of their requested amount of water and wastewater service. Pending more information from applicant.
 - ii. Malone/Wheeler met with DSISD on 8/23/24 to discuss water and wastewater utility matters. An email summarizing our meeting and the required utility data following the WTCPUA's standards was sent to DSISD on 8/23/2024 and sent again on 10/2/2024.
 - iii. Malone/Wheeler sent a letter to DSISD Superintendent Dr. Holly Morris-Kuentz on behalf of the MUD on 9/19/2024 with regard to the proposed DSISD water and wastewater matters.
 - iv. A water demand technical memo which outlines the proposed domestic and irrigation LUEs proposed by the project was received by Malone/Wheeler on 10/23/2024.
 1. Malone/Wheeler reviewed the memo for general completeness and submitted the LUE memo to the WTCPUA for concurrence on



- 11/1/2024.
2. The WTCPUA issued concurrence for 17 domestic water LUEs and 26 irrigation LUEs for the proposed elementary school on 12/6/2024.
- v. Malone/Wheeler provided written notification to the applicant on 10/24/2024 that the easements and maintenance agreement for the wastewater force main need to be complete and requested the latest site plan, City approved plan and landscape/irrigation plans matching the LUE memo to be submitted. As of 11/5/2024, we have not received any of the additional requested information. DSISD signed easements were delivered to the MUD on 05/02/2025.
1. The water and wastewater easements were recorded 05/16/2025. The recorded easement documents were emailed to DSISD on 05/19/2025.
- vi. Malone/Wheeler received a revised plan submittal on 05/22/2025. The plans were noted as incomplete. An email rejecting the submittal and noting the insufficiencies was sent to the applicant on 05/30/2025.
1. Malone/Wheeler met with DSISD and their engineer on 06/16/2025 to discuss the proposed changes. As a significant amount of changes were proposed and the timeline of construction for those improvements is unknown, DSISD decided to withdraw this revised submittal in favor of completing the permitting for the existing submittal. On 06/16/25, Malone/Wheeler provided the list of outstanding items on the existing application, which was previously provided to the applicant on 03/24/2025.
- vii. Malone/Wheeler received a resubmittal of the plans on 06/27/2025. DSISD addressed technical comments but has not listed the approved LUEs on the plans which is needed for final plan approval. M/W notified DSISD of this insufficiency on 07/03/2025. DSISD resubmitted plans on 07/15/2025 and M/W notified DSISD of deficiencies on 08-13-2025. DSISD resubmitted plans on 08/14/2025 and M/W notified DSISD of deficiencies on 08/14/2025. DSISD resubmitted plan on 08/15/2025.
1. DSISD has cleared all technical comments. Malone/Wheeler is working on approval letter language with the MUD's attorney.
- c. SKYE Headwaters
- i. A revision to the MUD-approved plans was submitted on 4/4/2024. The initial MUD review was completed, and comments were returned to the applicant on 5/30/2024. Updated plans were received on 7/9/2024 and MUD comments were returned to the applicant on 7/22/2024. Updated plans were received on 7/31/2024 and comments were returned to the applicant on 8/6/2024. Revised plans and comment response letter were received on 11/26/2024 and were returned to the applicant on 12/4/2024. Updated plans were resubmitted 12/19/2024. Further review is on hold.
 1. Municipal Accountants has requested that no further work be completed for Skye Headwaters as the MUD is owed payments that have been requested since October.
 2. On 01/08/2026, Municipal Accountants confirmed that Skye



Headwaters is up to date on the review fee deposit. Skye Headwaters updates are now under review.

- d. North Hays County Fire Rescue / ESD6
 - i. Plans were submitted to the MUD on 10/13/2025. The initial MUD review is complete, and comments were returned to the applicant on 12/31/2025.

4. Pay Application Approval:

- a. None

5. Irrigation LUE Determinations

- a. None

6. Domestic LUE Determinations

- a. Headwaters Station East - Retail
 - i. Initial utility usage data was provided by the developer on 09/18/2025. Updated data was provided on 10/08/2025, 11/16/2025, 12/02/2025 and 12/04/2025. A utility commitment letter has been requested by the applicant to be discussed under a separate agenda item.
- b. Dripping Springs Sports Club
 - i. Initial utility usage data was provided by the developer on 10/29/2024 and updated data was provided on 10/10/2025. A utility commitment letter has been requested by the applicant to be discussed under a separate agenda item.

7. Bidding and Notice of Award

- a. None

8. Acceptance of MUD Facilities

- a. None



9. Wastewater Operations Summary

- a. WWTP constructed capacity through Phase 4A is 260,000 gallons per day.
 - i. Average daily flow has been measured as 118,900 gallons per day for July 2025.
 - ii. Daily flows are averaging 46% of the current constructed capacity. Average daily flows for August 2024 to July 2025 are graphed below.
- b. Effluent Disposal Facilities’ constructed capacity through Phase 4A is 217,540 gallons per day.
 - i. Average daily flow has been measured as 118,900 gallons per day for August 2024.
 - ii. 75% of the current WWTP/Drip field capacity is 163,155 GPD.
 - iii. Daily flows are averaging 55% of the current constructed capacity to the effluent disposal facilities as of July 2025.
- c. See Allen Engineering’s operations report for more detail on monthly wastewater operations.

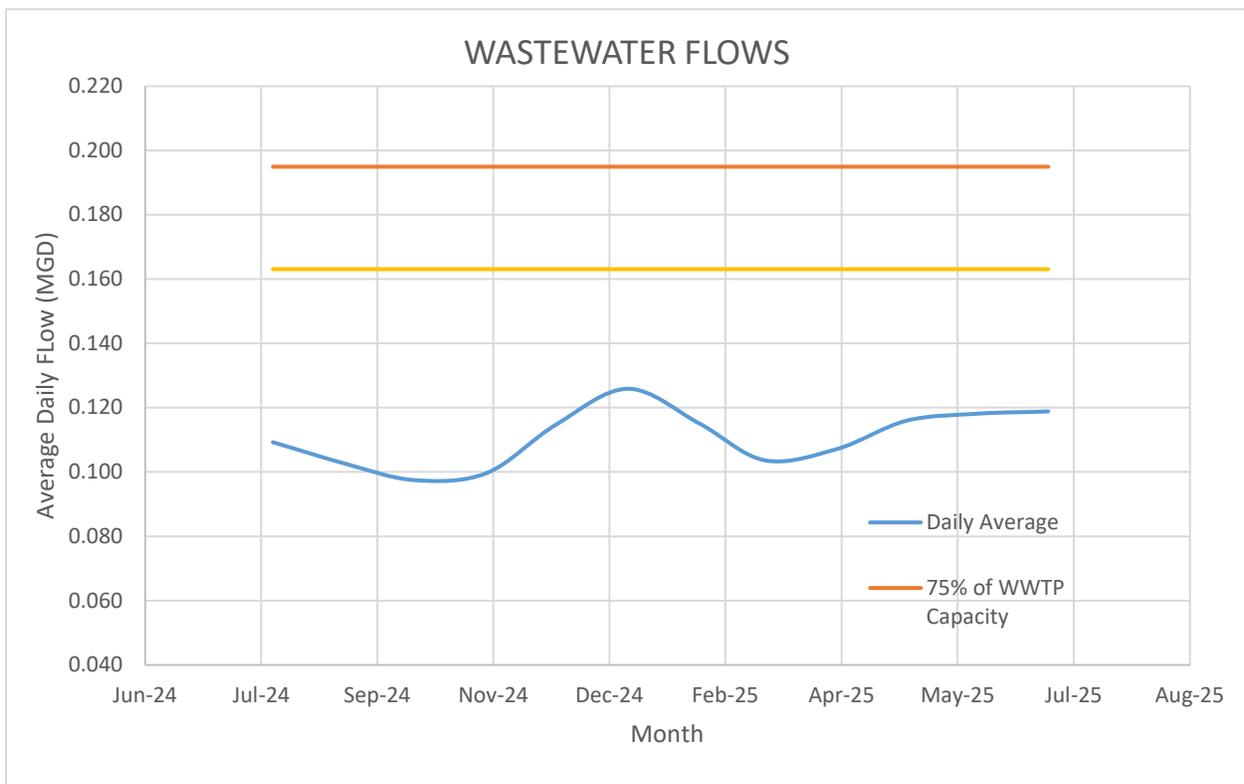


Figure 1: Average Daily Wastewater Flow



10. Water Operations Summary

- a. Per the Second Amendment to the Wholesale Water Services Agreement, the Headwaters MUD’s Max Day Reservation is 1,612,800 gpd. Consumption from August 2022 to July 2025 are graphed below.
- b. See Crossroads operations report for more detail on the monthly water operations.

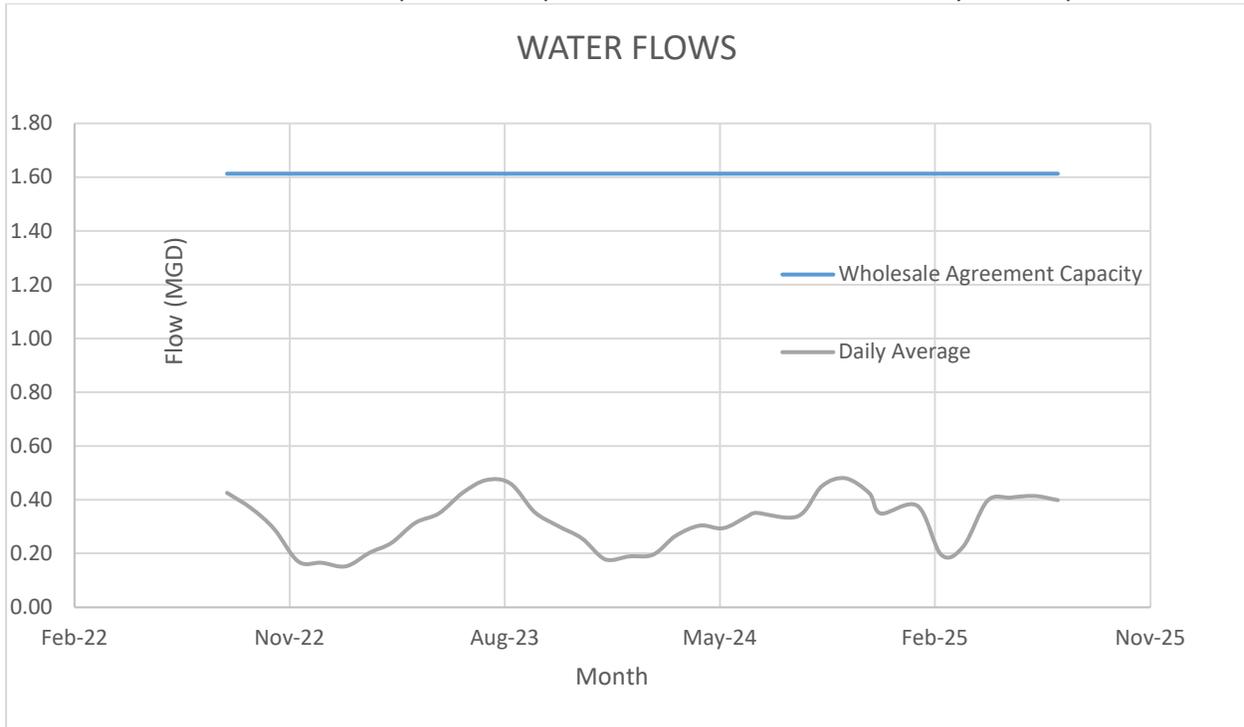


Figure 1: Daily Water Consumption and Permitted

11. MUD PARK BATHROOM

- a. Design of the park bathroom improvements is underway. A kickoff meeting with the Board representative was held on 3/11/2025.
- b. Construction plan preparation is in progress.

12. MUD Water Usage Analysis

- a. At the August board meeting, the Headwaters MUD has authorized Malone/Wheeler to update the evaluation of the MUDs water usage. Water usage evaluation is ongoing.

WEST, DAVIS & COMPANY

A LIMITED LIABILITY PARTNERSHIP

January 6, 2026

Board of Directors
Headwaters Municipal Utility District of Hays County
Armbrust & Brown, c/o Tony Corbett
100 Congress Ave., Suite 1300
Austin, Texas 78701

We are pleased to confirm our understanding of the services we are to provide the Headwaters Municipal Utility District of Hays County (the “District”) for the year ended December 31, 2025. We will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the District’s basic financial statements, as of and for the year ended December 31, 2025. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management’s discussion and analysis (MD&A), to supplement the District’s 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. As part of our engagement, we will apply certain limited procedures to the District’s RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management’s Discussion and Analysis
2. General Fund Budget Comparison.

We have also been engaged to report on supplementary information other than RSI that accompanies the District’s basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole in a report combined with our auditor’s report on the financial statements:

1. TCEQ required schedules.

Audit Objective

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the second paragraph when considered in relation to the basic financial statements taken as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the District's financial statements. Our report will be addressed to the Board of Directors of the District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or may withdraw from this engagement.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected

individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the District and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with the provisions of applicable laws, regulations, contracts and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance, and we will not express such an opinion.

Other Services

We will also prepare the financial statements of the District in conformity with U.S. generally accepted accounting principles based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for designing, implementing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You agree to assume all management responsibilities for financial statement preparation services and any other non-attest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Audit Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service provider.

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

The audit documentation for this engagement is the property of West, Davis and Company and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to TCEQ or its designee. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of West, Davis and Company personnel. Furthermore, upon request, we may provide copies of selected audit documentation to TCEQ or its designee. TCEQ or its designee may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

We expect to begin our audit on approximately January 31, 2026, and to issue our reports no later than March 31, 2026. Our fee for these services will be at our standard hourly rates plus out-of-pocket costs except that we agree that our gross fee, including expenses, will be approximately \$15,000. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoice for these fees will be rendered upon completion of our work and are payable on presentation. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to the District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign below and return a copy to us.

Sincerely,



Bob West, CPA
Partner

RESPONSE:

This letter correctly sets forth the understanding of Headwaters Municipal Utility District of Hays County.

By: _____

Date: _____

Title: _____

**HEADWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY
ORDER APPROVING INVESTMENT POLICY AND INVESTMENT STRATEGIES**

THE STATE OF TEXAS §

COUNTY OF HAYS §

WHEREAS, V.T.C.A., Government Code, Chapter 2256, as amended (the "Public Funds Investment Act"), requires the governing body of political subdivisions to adopt a written investment policy concerning the investment of its funds and funds under its control;

WHEREAS, Section 49.157(a) of the Texas Water Code, as amended, provides that all municipal utility district deposits and investments shall be governed by Subchapter A, Chapter 2256, Government Code (Public Funds Investment Act);

WHEREAS, Section 49.157(b) of the Texas Water Code, as amended, provides that the board of directors of a district may provide that an authorized representative of the district may invest and reinvest the funds of the district and provide for money to be withdrawn from the appropriate accounts of the district for the investment on such terms as the board considers advisable;

WHEREAS, the Board of Directors of the District has previously designated one or more investment officers and adopted a policy relating to the investment of District funds in accordance with the Public Funds Investment Act;

WHEREAS, the Public Funds Investment Act requires that the Board of Directors of the District review the Investment Policy and its investment strategies not less than annually and make any changes thereto as determined by the Board of Directors to be necessary and prudent, and to adopt an order or resolution stating that it has reviewed the Investment Policy and investment strategies and recording any changes made thereto; and

WHEREAS, in accordance with the requirements of the Public Funds Investment Act, the Board of Directors of the District has reviewed the District's Investment Policy and desires to approve and affirm the policy and investment strategies set forth therein.

NOW, THEREFORE BE IT ORDERED BY THE BOARD OF DIRECTORS OF HEADWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY, THAT:

Section 1. The matters and facts recited in the preamble to this Order are found to be true and correct and the same are incorporated herein as a part of this Order.

Section 2. The Board has conducted the annual review of its Investment Policy and the investment strategies set forth therein in accordance with the requirements of Section 2256.005(e) of the Public Funds Investment Act. Based upon such review, the Board finds and declares that the Investment Policy, including the written investment strategies set forth therein, in the form attached hereto is hereby approved and adopted. The attached Investment Policy includes an updated list of brokers/dealers.

Section 3. The President or Vice President or the Secretary or Assistant Secretary is authorized to do all things necessary and proper to evidence the Board's adoption of this Order and to carry out the intent hereof. Upon execution, a permanent copy of this Order shall be filed in the permanent records of the District.

PASSED AND APPROVED this ___ day of _____, 2026.

By: _____

Name: _____

Title: _____

ATTEST:

By: _____

Name: _____

Title: _____

(SEAL)

HEADWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY

INVESTMENT POLICY AND INVESTMENT STRATEGIES

I.

STATUTORY AUTHORITY

1.01 Statutory Authority. This Policy has been adopted pursuant to, and in accordance with the requirements of, Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) and Chapter 2257 of the Texas Government Code (the Public Funds Collateral Act).

II.

SCOPE

2.01 Scope. This Policy applies to the investment of all funds of Headwaters Municipal Utility District of Hays County (the “District”) and funds under its control. The Board of the District shall review this Investment Policy and the investment strategies set forth herein not less than annually and shall make any changes thereto as determined by the Board of the District to be necessary and prudent for the management of District funds. Not less than annually, the Board shall adopt a written order or resolution stating that it has reviewed the Investment Policy and investment strategies and setting forth any changes made thereto.

III.

OBJECTIVES

3.01 Investment Objectives. Investment of funds shall be governed by the following investment objectives, in order of priority:

1. Preservation and safety of principal- The foremost objective of the District’s Investment Policy is to assure safety of the invested funds. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital while minimizing credit rate and interest rate risk. Investment for speculation is prohibited.

2. Liquidity- Funds will be invested with maturities necessary to maintain sufficient liquidity to provide adequate and timely working funds.

3. Yield- Return on investment is of least importance compared to the safety and liquidity objectives described above.

IV. INVESTMENT PARAMETERS

4.01. Investment Strategies. The District's overall investment strategy shall be to purchase high credit quality investments that preserve the safety of capital, maximize liquidity, promote diversification, and provide reasonable market yield (in that order of priority), based on the District's anticipated cash flows and the maintenance of a liquidity buffer for unanticipated liabilities. Investments are to be chosen in a manner which promotes diversity by market sector, credit and maturity. The choice of high credit quality investments and high-grade money market instruments are designed to assure the marketability of those investments should liquidity needs arise. Detailed strategies by fund type are set forth in **Exhibit "A"** of this Policy. The Board of the District shall review annually the investment strategies and shall make any changes thereto as determined by the Board to be necessary and prudent for the management of the District's funds.

4.02 Maximum Maturities. The District will match its investments with anticipated cash flow requirements. To match anticipated cash flow requirements, the maximum weighted average maturity of the overall portfolio shall not exceed 365 days and a benchmark of the six-month and one-year Treasury Bills shall be used to measure risk in the portfolio. Unless matched to a specific cash flow requirement, the District will not directly invest in securities maturing more than 24 months from the date of purchase.

4.03 Diversification. The District may diversify its portfolio to reduce risk.

4.04. Competitive Bidding Requirement. All securities, including certificates of deposit, will be purchased or sold after three (3) offers/bids are taken to verify that the District is receiving fair market value/price for the investment. Bids for certificates of deposit may be solicited orally, in writing, electronically, or any combination of these methods.

4.05. Delivery versus Payment. All security transactions entered into by the District shall be conducted on a delivery versus payment (DVP) basis. Securities will be held by a third party custodian designated by the Investment Officers and evidenced by safekeeping receipts.

4.06 Rating Declines or Loss of Rating. The Investment Officers shall monitor the credit rating on all authorized investments in the District's portfolio based on independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by this Policy (i.e. Public Funds Investment Act), the Investment Officers shall immediately solicit bids for and sell the security if possible, regardless of a loss of principal.

4.07 Electronic Wire Transfers. The Investment Officers may use electronic means to transfer or invest funds collected or controlled by the District. Electronic transfers shall only be made between District accounts and in the name of the District, unless otherwise authorized in writing by the Board of the District.

V.

DELEGATION OF INVESTMENT AUTHORITY

5.01 Appointment of Investment Officers. Mark Burton and Ghia Lewis of Municipal Accounts & Consulting, L.P. are hereby appointed the Investment Officers of the District for so long as they serve as the District's bookkeeper. The Investment Officers shall be responsible for the investment of District funds in accordance with this Investment Policy. If the Board has contracted with another investing entity to invest the District's funds, as authorized by the Public Funds Investment Act, the Investment Officer of the other investing entity is considered to be the Investment Officer of the District for such purposes. The authority hereby granted to the Investment Officers to invest the District's funds is effective until rescinded by the Board, until the expiration of the officer's term, the termination of Municipal Accounts & Consulting, L.P.'s bookkeeping contract with the District, or the termination of the individual's employment with Municipal Accounts & Consulting, L.P., or if an investment management firm, until the expiration of the contract with the District.

5.02 Investment Training. The Investment Officers shall attend at least one investment training session from an independent source and containing at least six hours of instruction relating to investment responsibilities within 12 months after taking office or assuming duties. The Investment Officers shall also attend an investment training session within each two-year period after the first year and receive not less than four hours of instruction relating to investment responsibilities from an independent source. Training must include education on investment controls, security risks, strategy risks, market risks, diversification of investment portfolio and compliance with the Public Funds Investment Act.

5.04 Prudence. The standard of care to be used by the Investment Officers shall be prudent person standard, and shall be applied in the context of managing the overall portfolio. This standard states that the person designated as the Investment Officer shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs. In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall take into consideration (i) the investment of all funds over which the Investment Officer has responsibility rather than consideration as to the prudence of a single investment, and (ii) whether the investment decision was consistent with this Investment Policy.

5.05 Ethics. Officers and employees involved in the investment of District funds shall refrain from personal activity that could conflict with the proper execution and management of the District's investment program. Employees and investment officials shall disclose, in writing, any material interests, including personal business relationships, with any financial institution with which it is proposed that the District conduct business. For purposes of District investments, employees or investment officials have a personal business relationship with a business organization if:

- (i) the individual owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
- (ii) funds received by the individual from the business organization exceed 10 percent of the individual's gross income for the previous year; or

- (iii) the individual has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the individual.

5.06 Limitation of Personal Liability. Authorized representatives of the District who invest the District's funds in accordance with this Policy shall have no personal liability for any individual security's credit risk or market price changes provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

VI. INVESTMENT REPORTS

6.01 Internal Management Reports. The Investment Officers shall prepare and submit not less than quarterly to the Board of Directors of the District written reports of investment transactions for all funds of the District for the preceding reporting period. The quarterly reports shall comply with the requirements of Section 2256.023 of the Public Funds Investment Act. Specifically, the quarterly report shall:

- (i) Describe in detail the investment position of the District;
- (ii) Be prepared jointly by all Investment Officers;
- (iii) Be signed by each Investment Officer;
- (iv) Contain a summary statement of each pooled fund group that states the:
 - (A) beginning market value for the reporting period;
 - (B) ending market value for the period;
 - (C) fully accrued interest for the reporting period;
 - (D) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;
 - (E) state the maturity date of each separately invested asset that has a maturity date;
 - (F) state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and
 - (G) state the compliance of the investment portfolio of the District as it relates to: (i) the investment strategy expressed in this Policy; and (ii) relevant provisions of the Public Funds Investment Act.

VII.

COLLATERAL, SAFEKEEPING, AND CUSTODY REQUIREMENTS

7.01 Collateral Policy. Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the District to require full collateralization of all District funds on deposit with a depository bank and for repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on the deposits or investments, less an amount insured by the FDIC. At its discretion, the District may require a higher level of collateralization for certain investment securities. Securities pledged as collateral shall be held by an independent third party with which the District has a current custodial agreement. The agreements are to specify the acceptable investment securities for collateral, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the District and retained. Collateral shall be reviewed at least monthly to assure that the market value of the pledged securities is adequate.

7.02 Authorized Collateral for Time and Demand Deposits. The District shall accept only the following securities as collateral for time and demand deposits:

- (i) FDIC insurance coverage;
- (ii) Obligations of the United States, its agencies or instrumentalities, or other evidence of indebtedness of the United States guaranteed as to principal and interest; and
- (iii) Obligations of Texas or other states or of a county, city or other political subdivision of a state having been rated as not less than “A” or its equivalent by two nationally recognized rating agencies.

7.03 Authorized Collateral for Repurchase Agreements. The District shall accept as collateral for repurchase agreements only obligations of the United States, its agencies or instrumentalities.

VIII. AUTHORIZED INVESTMENTS

8.01 Authorized Investments. The following are authorized investments for the District’s funds, as further described and restricted by the Public Funds Investment Act:

- A. Obligations of, or guaranteed by, the United States. Obligations of the United States, its agencies and instrumentalities, excluding mortgage backed securities, and that are authorized investments under Section 2256.009 of the Public Funds Investment Act.
- B. State Obligations. Obligations of the State of Texas or any state of the United States or their respective agencies and instrumentalities, agencies, counties, cities, and other political subdivisions rated as to investment quality by a nationally recognized investment rating firm not less than A or

its equivalent, and that are authorized investments under Section 2256.009 of the Public Funds Investment Act.

- C. Other Governmental Obligations. Obligations, the principal and interest of which are unconditionally 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, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.

- D. Certificates of Deposit/Share Certificates.
 - (a) Fully insured or collateralized certificates of deposit or share certificates that are approved investments under Section 2256.010 of the Public Funds Investment Act: (i) from a depository institution that has its main office or a branch office in the State of Texas; and (ii) that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or by the National Credit Union Share Insurance Fund or its successor, as applicable. Authorized certificates of deposit shall include such certificates purchased through the CDARS program with a Texas bank.

 - (b) Fully insured certificates of deposit purchased from a broker or a bank that has its main office or a branch office in the State of Texas and is selected from the list of qualified brokers attached to this Investment Policy. All investments in such brokered certificates of deposit shall be made on a delivery versus payment basis to the District's safekeeping agent, and the Investment Officers shall verify that the bank is fully insured by the Federal Deposit Insurance Corporation prior to purchase. In the event any bank from which the District has purchased a brokered certificate of deposit merges with, or is acquired by, another bank in which brokered certificates of deposit are owned by the District, the Investment Officers shall immediately contact the banks and liquidate any brokered certificate that exceeds FDIC insurance levels.

- E. Repurchase Agreements. Fully collateralized repurchase agreements with a defined termination date executed with a primary dealer as defined by the Federal Reserve or a financial institution doing business in this state, and that are authorized investments under Section 2256.011 of the Public Funds Investment Act.

- F. Mutual Funds. AAA-rated, SEC registered money market mutual funds that are registered and regulated by the Securities and Exchange Commission subject to the limitations set forth in Section 2256.014 of the Public Funds Investment Act.

- G. Commercial Paper. Commercial paper that has a stated maturity of 270 days or fewer from the date of its issuance and that is rated not less than A-

1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies, or one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United State or any state, as authorized under Section 2256.013 of the Public Funds Investment Act

- H. Investment Pools. AAA-rated, constant-dollar local government investment pools that meet the requirements set forth in the Public Funds Investment Act for the investment of public funds, including Sections 2256.016, .017, .018, and .019, and provided further that such investments must be approved by the Board of Directors of the District by separate resolution.
- I. Interest bearing accounts of any FDIC bank in Texas.

IX.

AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

9.01 Authorized Financial Dealers and Institutions. The Board may 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 public funds; provided, that a contract may not be for a term longer than two years, and any renewal or extension thereof must be made by the Board by order or resolution.

X.

MISCELLANEOUS

10.01 Policy to be Presented to Investment Officers. The Investment Officers shall be presented a copy of this Investment Policy and shall execute a written instrument substantially in the form attached hereto as **Exhibit “B”** to the effect that the Investment Officers have:

1. received and thoroughly reviewed a copy of this Investment Policy; and
2. implemented procedures and controls to comply with the Investment Policy.

10.02 Business Organizations that Invest or Manage the District’s Investment Portfolio. A written copy of this Investment Policy shall be presented to any business organization offering to engage in an investment transaction with the District. For purposes of this Policy, a “*business organization*” means an investment pool or investment management firm under contract with the District to invest or manage the District’s investment portfolio that has accepted authority granted by the District under the contract to exercise investment discretion in regard to the District’s funds. The qualified representative of the business organization offering to engage in an investment transaction with the District shall execute a written instrument in a form acceptable to the District and the business organization substantially to the effect that the business organization has:

- (i) Received and reviewed this Investment Policy; and

- (ii) Acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the District and the organization that are not authorized under this Investment Policy, except to the extent that the authorization: (A) is dependent on an analysis of the makeup of the District's entire portfolio; (B) requires an interpretation of subjective investment standards; or (C) relates to investment transactions of the District that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

The District shall not acquire or otherwise obtain any authorized investment described in this Investment Policy from a business organization that has not delivered the instrument described above.

10.03 Annual Financial Audit. The District, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the District's established investment policies.

10.04 Selection of Authorized Brokers. The District shall annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District. Approved Investment Brokers are those listed in **Exhibit C** of this Policy.

EXHIBIT A - 1

INVESTMENT STRATEGY

DEBT SERVICE FUNDS

Investment Objective:

To purchase investments that will preserve the safety of capital and maximize yield (in that order of priority) taking into account the timing of the District's debt service payments.

Investment Strategy:

To invest in any of the authorized investments listed in Article VIII of the District's Investment Policy, provided that:

1. For funds needed for the District's next debt service payment, the investment shall mature no later than the date the debt service payment is due.
2. For funds in the debt service reserve fund, the maximum stated maturity date of the investment shall be no greater than 24 months after the date of purchase and cannot exceed the final maturity of the underlying bond(s) or note(s) for which it is reserved.

EXHIBIT A – 2

INVESTMENT STRATEGY

CONSTRUCTION FUNDS

Investment Objective:

To purchase investments that will preserve the safety of capital and maximize yield (in that order of priority) taking into account the timing of the District's cash flow requirements for its construction projects.

Investment Strategy:

To invest in any of the authorized investments listed in Article VIII of the District's Investment Policy, provided that:

1. Investment maturities shall generally follow anticipated cash flow requirements. At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield.
2. Market conditions and arbitrage regulations shall be considered to avoid arbitrage.

EXHIBIT A-3

INVESTMENT STRATEGY UNRESTRICTED OPERATING FUNDS

Investment Objective:

To purchase investments that will preserve the safety of capital, maximize liquidity, and maximize yield (in that order of priority), taking into account the District's monthly operating expenses, capital improvements, special projects, and other expenditures and ensuring the availability of funds as necessary.

Investment Strategy:

To invest in any of the authorized investments listed in Article VIII of the District's Investment Policy, provided that the investment will mature no later than 24 months after the date of purchase. Investments must meet projected cash flow requirements.

EXHIBIT B

**INVESTMENT OFFICER AND INVESTMENT FIRM CERTIFICATION
OF RECEIPT AND REVIEW OF INVESTMENT POLICY**

THE STATE OF TEXAS

COUNTY OF HAYS

I, _____ of _____,
do hereby certify that I have been presented a copy of the Investment Policy for Headwaters
Municipal Utility District of Hays County dated _____. I have thoroughly reviewed the
Investment Policy and acknowledge that _____ has implemented procedures
and controls to comply with the Investment Policy.

WITNESS MY HAND THIS ___ day of _____, _____.

Name: _____

Title: _____

EXHIBIT C

LIST OF AUTHORIZED BROKERS

ABC Bank	Lone Star Investment Pool
Amegy Bank of Texas, N.A.	Moody National Bank
Austin Capital Bank	New First National Bank
BB & T	North Star Bank of Texas
Bank of America N.A.	One West Bank
Bank of Houston	Origin Bank
Bank of New York- Mellon	PNC Bank/The PNC Financial Services Group, Inc.
Bank of Texas N.A.	Plains Capital Bank
Bank of the Ozarks (Bank Ozk)	Plains State Bank
Brenham National Bank	PrimeBank of Texas
Cadence Bank	Prosperity Bank
Capital Bank of Texas	R Bank
Capital Markets Group	Regions Bank
Capital One	Simmons Bank
Central Bank	SouthStar Bank
Chasewood Bank	SouthState Bank
Citibank N.A.	State Bank of Texas
CIT Bank	State Street Bank & Trust Co.
Comerica Bank	Stellar Bank
Comerica Securities	Stifel Nicholas
Commercial State Bank	Southwestern National Bank
Community Trust Bank	Sunflower Bank
Coastal Securities	Susser Bank
East West Bank	Tex Star Investment Pool
First Bank of Texas	Texas Capital Bank N.A.
First Citizens Bank	Texas Class
First Commercial Bank	Texas Citizens Bank
First Financial Bank, N.A.	Texas Exchange Bank
First Lockhart National Bank	Texas First Bank
First National Bank of Texas	Texas Gulf Bank
First Texas Bank	Texas Regional Bank
Frontier Bank of Texas	Texas Traditions Bank
Frost National Bank	The Independent Bankers Bank
Guaranty Bank & Trust	The Mint National Bank
Hancock Whitney Bank	Texas Savings Bank
Herring Bank	Texpool/Texpool Prime
Hilltop Securities	The Right Bank for Texas
Hometown Bank, N.A.	Third Coast Bank
Horizon Bank	Trustmark National Bank
Huntington Bank	United Bank of El Paso Del Norte
Iberia Bank	United Texas Bank
ICS	Unity National Bank
Independent Bank	U. S. Bank
International Bank of Commerce	Vista Bank
Inter National Bank	Wallis Bank
IntraFi Network Deposits	Wells Fargo Bank, N.A.
JP Morgan Chase	Wells Fargo Brokerage Services, LLC
Legacy Texas Bank	Wells Fargo Trust
Lone Star Bank	West Star Bank
Lone Star Capital Bank	Woodforest National Bank

**AN ORDER OF HEADWATERS MUNICIPAL UTILITY DISTRICT OF HAYS
COUNTY CALLING AN ELECTION FOR DIRECTORS**

WHEREAS, Headwaters Municipal Utility District of Hays County (the "District"), was duly created by order of the Texas Commission on Environmental Quality (the "Commission") dated August 8, 2007 (the "Commission Order") as a conservation and reclamation district created under and essential to accomplish the purposes of Section 59, Article XVI of the Texas Constitution and Section 52, Article III of the Texas Constitution; and

WHEREAS, Section 49.103 of the Texas Water Code provides that an election for directors of a municipal utility district shall be held on the uniform election date, established by the Election Code, in May of each even-numbered year to elect the appropriate number of directors;

WHEREAS, Section 31.092(a) of the Election Code authorizes the governing body of a political subdivision to contract with the county election officer to perform election services in any election ordered by the political subdivision;

WHEREAS, Section 271.002 et seq. of the Election Code authorizes joint elections to be held by certain entities, including two or more political subdivisions in all or part of the same territory, provided the governing bodies enter into an agreement to hold the election jointly;

WHEREAS, pursuant to Section 271.003 of the Election Code, a regular county polling place may be used for a common polling place in a joint election, and the voters of a political subdivision may be served in a joint election by a common polling place outside the boundary of the political subdivision if the location can adequately and conveniently serve the affected voters and will facilitate the orderly conduct of the election; and

WHEREAS, the Board of Directors of the District, in an open, public meeting, proper notice of which has been given as required by law, has given consideration to calling a director election for May 2, 2026.

NOW, THEREFORE, BE IT ORDERED BY THE BOARD OF DIRECTORS OF HEADWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY THAT:

Section 1: The matters and facts set out in the preamble of this Order are hereby found and declared to be true and correct.

Section 2: An election shall be held between the hours of 7:00 a.m. and 7:00 p.m., on the 2nd day of May 2026 in the event the election is not cancelled as provided by law. At said election, there shall be submitted to the duly qualified resident electors of the District the matter of electing three (3) directors.

Section 3: The polling places for holding the election are those polling places designated by Hays County to serve the county's regular election precinct within the District, and are more particularly identified on Exhibit "A" attached hereto, which exhibit is incorporated herein by

reference for all purposes. The polling locations set forth on the exhibit may be changed from time to time to reflect any changes to the polling locations established by Hays County. The Board specifically finds that such locations can adequately and conveniently serve the affected voters of the District and will facilitate the orderly conduct of the election. After duly considering the requirements of the Election Code, the Board hereby finds that said polling places to be proper places for conducting the election.

Section 4: The boundaries of the District are established as and shall constitute one election precinct for the election, and the Board of Directors of the District hereby appoints the Hays County election officials as officers of the election in the event the election is not cancelled as permitted by law.

Section 5: The Hays County Administrator is conducting the election pursuant to an election agreement (the "Election Agreement") between the District and Hays County as authorized under Section 31.092 of the Texas Election Code. The election shall be held as a joint election pursuant to Chapter 271 of the Texas Election Code and a joint election agreement to be entered into between the District and the other participating entities located in Hays County, which are holding an election on May 2, 2026. Hays County's election equipment shall be used in the election. The election judges and clerks shall be appointed in accordance with the Election Agreement and the Texas Election Code, as amended.

Section 6: Early voting in the election by personal appearance shall occur on each day from April 20, 2026, through April 28, 2026, at the times and places listed on **Exhibit B**. The early voting clerk shall keep the early voting place open between the hours shown on **Exhibit B** and at the places shown on **Exhibit B**. The Hays County Elections Administrator is the Early Voting Clerk. Application for ballots by mail should be sent to Hays County Early Voting Clerk, 712 Stagecoach Trail Ste. 1045, San Marcos, Texas 78666, or emailed to elections@co.hays.tx.us or faxed to (512) 878-6699 and followed by a hard copy by mail. Additional contact information for the Early Voting Clerk is provided below:

Phone Number: 512-393-7310

Email Address: elections@co.hays.tx.us

Website: <https://hayscountytexas.com/elections/>

Section 7: Written application to have a person's name printed on the ballot as a candidate for the office of director of the District, signed by the candidate must be received by the Secretary of the Board of Directors of the District not later than 5 p.m. on February 13, 2026. No person's name shall be placed on the ballot unless he or she is at least eighteen (18) years of age, a citizen of the United States, a resident of the State of Texas, either owns land subject to taxation in the District or is a qualified voter within the District, and otherwise satisfies the qualifications for holding a public office contained in the Texas Election Code. The Secretary is authorized to determine the qualifications of candidates for office. If the Secretary determines that an applicant is not qualified, it shall give written notice to the applicant of the reason for the rejection. Blank applications and copies of this Order may be obtained from the District's Attorney, Armbrust & Brown, PLLC, located at 100 Congress Avenue, Suite 1300 Austin, Texas 78701. Declarations of write-in candidacy must be received by 5:00 p.m. on February 17, 2026.

Section 8: Anthony S. Corbett of Armbrust & Brown, PLLC, is hereby appointed as the District's agent to perform various election duties for the election, including maintaining in such agent's office at 100 Congress Avenue, Suite 1300 Austin, Texas 78701, the documents, records, and other papers relating to the election that by law are placed in the custody of the Board of Directors and that are public information. The agent shall receive any personally delivered document relating to the election that the Board of Directors is authorized or required to receive and shall make available for inspection and copying, in accordance with the applicable statutes and regulations, the documents, records, and other papers that are required to be maintained in the agent's office and may perform any other ministerial duties in connection with the election that may lawfully be performed by an employee of the District.

Section 9: Voting shall be by the use of direct recording electronic system. The Hays County Elections Administrator may utilize a central counting station as provided by Section 127.001 *et seq.* of the Texas Election Code. Oral assistance in Spanish shall be made available to all persons requiring such assistance. Any person requiring oral assistance in Spanish should contact the presiding judge or early voting clerk.

Section 10: When the number of candidates to appear on the ballot exceeds the number of offices to be filled, the order in which the names of the candidates are to be printed on the ballot shall be determined by a drawing to be conducted by the Secretary. The Secretary shall post notice within the District, at least seventy-two (72) hours prior to the time at which the drawing is to be held, of the time and place of the drawing, and shall also mail notice of the date, hour, and place of the drawing to each candidate, at the address stated on the candidate's application for a place on the ballot, not later than the fourth day before the day of the drawing. Each candidate involved in the drawing or a representative designated by the candidate shall have a right to be present and observe the drawing.

Section 11: All resident, qualified electors of the District shall be entitled to vote at the election.

Section 12: The election shall be held and conducted and returns made to this Board of Directors in accordance with the Texas Election Code, as modified by Chapters 49 and 54, Texas Water Code.

Section 13: Pursuant to Section 49.103(h), Texas Water Code, the Secretary, upon receipt of certification that each candidate whose name is to appear on the ballot is unopposed, is authorized to post notice that the election is not to be held at the polling place that would have been used at the election. The notice of cancellation shall be posted on or before April 20, 2026.

Section 14. Immediately after the election, the officers holding same shall make and deliver the returns of the results thereof to the Secretary to the Board of Directors, who shall safely keep them and deliver same to the Board of Directors at its next meeting, at which time the Board shall canvass said returns and declare the results of said election.

Section 15: The Secretary to the Board is hereby directed to cause notice of the election to

be provided by posting and/or publication, as directed by the Board of Directors of the District, in accordance with the requirements of the Texas Election Code. The Secretary is further directed to deliver notice of the election to the County Clerk of Hays County not later than the 60th day before election day. In the event the election is cancelled, no posting or publication of the notice is required.

Section 16: The rate of pay for judges and clerks of the election shall be determined according to the election services agreement to be entered into by the District and Hays County.

Section 17: The President and Secretary are authorized and directed to take any action necessary to carry out the provisions of this Order.

PASSED AND APPROVED this _____ day of _____, 2026.

By: _____

Name: _____

Title: _____

ATTEST:

By: _____

Name: _____

Title: _____

EXHIBIT "A"

ELECTION DAY POLLING LOCATION(S)

EXHIBIT “B”

EARLY VOTING LOCATIONS AND TIME PERIODS

NOTICE OF APPOINTMENT OF AGENT
FOR MAY 2, 2026 DIRECTOR ELECTION

TO: ALL PERSONS INTERESTED IN THE DIRECTOR ELECTION FOR
HEADWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY:

Notice is hereby given that the undersigned, Secretary of the Board of Directors of Headwaters Municipal Utility District of Hays County (the "District"), acting pursuant to Section 31.123, Texas Election Code, appoints Anthony Corbett as the duly authorized agent (the "Agent") for all purposes for the May 2, 2026, Director Election. The office for the Agent is located at 100 Congress Avenue, Suite 1300, Austin, Texas 78701, and the telephone number for the Agent is (512) 435-2300. The Agent shall be available for election duties at least three hours each day, during regular office hours on regular business days, beginning on March 13, 2026, the 50th day before election day and not ending earlier than June 11, 2026, the 40th day after election day.

The Agent shall maintain in the Agent's office the documents, records, and other papers relating to the election that:

1. by law are placed in the custody of the authority appointing the agent; and
2. are public information.

The Agent shall receive any personally delivered document relating to the election that the appointing authority is authorized or required to receive; and make available for inspection and copying, in accordance with applicable regulations, the documents, records, and other papers that are required to be maintained in the Agent's office. The Agent may perform any other ministerial duties in connection with the election that may lawfully be performed by an employee of the District.

This Notice shall be posted on the bulletin board used for posting meetings of the District's Board of Directors and shall remain continuously posted during the minimum period for maintaining the Agent's office.

Secretary, Board of Directors
Headwaters Municipal Utility District of
Hays County

ARMBRUST & BROWN, PLLC`

ATTORNEYS AND COUNSELORS

100 CONGRESS AVENUE, SUITE 1300
AUSTIN, TEXAS 78701-2744
(512) 435-2300

ANTHONY S. CORBETT
(512) 435-2355
tcorbett@abaustin.com

January 1, 2026

Board of Directors
Williamson County Municipal Utility District No. 26

RE: Proposal for Legal Services

Dear Directors:

We are pleased to submit this proposal to provide general counsel and bond counsel legal services to Headwaters Municipal Utility District of Hays County (the "District"). The purpose of this letter is to set forth the terms of our proposed engagement. This letter, when executed by an authorized representative of the District, will evidence your approval of the terms set forth herein pursuant to which Armbrust & Brown, PLLC. will serve as general counsel and bond counsel to the District effective as of January 1, 2026. Our firm recognizes and agrees that the District may retain other law firms to provide legal services on its behalf.

General Counsel Services

Our firm will provide general legal representation to the District. The services to be rendered by our firm would include the following services, as requested by the District:

- A. Provide legal advice to the Board on an on-going basis, including advice necessary for compliance with statutory requirements applicable to the District, such as the Texas Open Meetings Act, the Texas Open Records Act, the Texas Local Government Code, and the Texas Water Code.
- B. Draft necessary resolutions, orders, and other legal instruments for approval by the Board. Negotiate and prepare contracts with developer(s) and other third parties, for approval by the Board.
- C. Coordinate required Board meetings, including preparation and posting of agendas as required by the Texas Open Meetings Act.
- D. Attend all Board meetings, and other meetings as requested by the Board, and provide legal advice to the Board at such meetings.
- E. Represent the District before agencies of the State of Texas and other governmental entities, as necessary.
- F. Prepare contracts, legal memoranda, easements, and other legal documents or instruments required by the District.
- G. Provide advice relating to construction, acquisition, operation, and maintenance of District facilities.
- H. Provide other legal services as requested by the District.

Fees for General Counsel Services

Our fees for general counsel services will be based on the time spent by the lawyers and paralegals who work on this matter. Legal assistant personnel, where possible, will handle administrative matters such as correspondence with regulatory agencies, preparation and posting of meeting agendas, and coordination of the conduct of District elections. Billing rates for our attorneys and legal assistants are based on each individual's level of experience, and are subject to periodic review and adjustment. Services performed by Tony Corbett will be billed at an initial hourly rate of \$495 per hour.

It is our practice to bill for general counsel services on a monthly basis, and payment of our statement is expected within 30 days of receipt of the bill. Our billing format for the District will include information on the hourly billing rates for the personnel who performed services during the billing period. In addition to reflecting the charges for the times of the attorneys and legal assistants performing work for the District, our statement will reflect other costs incurred by the Firm related to the performance of our legal services, such as the cost of photocopying, messengers, long-distance telephone calls, facsimile transmissions, postage, secretarial overtime, specialized computer applications such as computerized legal research, and filing fees. If you ever have a question or concern about our billing procedures or statements, please call me. I will do my best to resolve any question or concern you raise promptly.

Bond Counsel Services

In addition to the services described above, we will perform services as bond counsel in connection with the authorization, issuance, and sale of bonds (the "Bonds") that may be issued by the District to acquire or finance public infrastructure improvements, including water, wastewater and drainage system, road facilities, park and recreational facilities, and other improvements to serve areas within the District as authorized by Texas law. Our services as bond counsel will include the preparation and review of legal notices, resolutions, and orders for adoption by the Board, instruments required to obtain necessary approvals of the Texas Commission on Environmental Quality ("TCEQ"), Texas Water Development Board ("TWDB") and the Attorney General of Texas, as applicable, and all other legal documents relating to the authorization and issuance of the Bonds and registration thereof with the Comptroller of Public Accounts. In addition, we will review a transcript of certified proceedings pertaining to the Bonds, which we will help to prepare, and will render our opinion that the Bonds are valid and binding obligations of the District, and that the interest on the Bonds is exempt from federal income taxation under then existing statutes, regulations, published rulings, and court decisions.

It is our understanding that the District has employed or will employ a recognized investment banking firm to serve as financial advisor to the District and that said firm will be responsible for advising the District concerning the sale of the Bonds and will assist the District in the preparation of an Official Notice of Sale and an Official Statement (the "Offering Documents") in connection with each issue of the Bonds, as applicable.

In our capacity as bond counsel, we will review those portions of the Offering Documents which describe the District's legal authority for issuance of the Bonds to determine whether such description conforms to and fairly summarizes relevant provisions of Texas law and the Order of the TCEQ approving the Bonds (as applicable), with regard to the sale of the Bonds. We will also review those portions of the Offering Documents describing the order of the Board authorizing the Bonds to determine whether such description fairly summarizes the provisions of said order. In addition, if requested, we will review such other portions of the Offering Documents and describe matters of law and legal relationships of the District about which we have knowledge. We will not, however, undertake to verify independently any of the factual information contained in the Offering Documents, nor will we conduct any investigation of the affairs of the District for

the purpose of passing on the accuracy or completeness of the Offering Documents. Since our role in connection with the Offering Documents will be of an advisory rather than an investigatory nature, said documents will contain a statement describing our services as outlined above and stating that our limited participation may not be relied upon as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of the information contained therein.

Our services as Bond Counsel do not include any responsibility for investigating the financial condition and affairs of the District. Further, our firm will not render an opinion that the interest on the Bonds is exempt from federal income taxation under then existing statutes, regulations, published rulings, and court decisions. The District will separately contract with special tax counsel for such opinion.

Fees for Bond Counsel Services

For bond counsel services, the District will pay us a fee per issue of two and one-half percent (2½ %) of the first \$1,000,000 in principal amount of Bonds issued; two percent (2%) of the principal amount of Bonds issued between \$1,000,000 and \$3,000,000; and one percent (1%) of the principal amount of Bonds issued in excess of \$3,000,000. In addition to our fees for Bond Counsel Services, we would expect to be reimbursed for actual out-of-pocket expenditures on behalf of the District, such as printing or reproduction of documents, travel, secretarial overtime, telephone and telegraph and reasonableness. Our fees and expenses for Bond Counsel Services will be billed to the District and will become due and payable upon issuance and sale of, and payment for, each issue of Bonds by the District.

General Matters

Our relationship will be based upon mutual consent and the District may terminate our representation at any time, with or without cause, by notifying us. Any termination of our services will not affect the District's responsibility for payment of fees for services rendered and other charges incurred before termination or incurred in connection with an orderly transition of the District's legal services. The Texas Disciplinary Rules of Conduct specify several circumstances that require or allow us to withdraw from representation, including nonpayment of fees or costs, misrepresentation or failure to disclose material facts, fundamental disagreement, or conflict of interest with another client. We will try to identify in advance and discuss with you any situation that might affect our representation of you or lead to our withdrawal.

Attorney Complaint Information

Pursuant to rules promulgated by the Texas Supreme Court and the State Bar of Texas, we are required to advise clients that the State Bar of Texas investigates and prosecutes complaints of professional misconduct against attorneys licensed in Texas. We intend to maintain the high standard of ethical conduct toward our clients and others required and enforced by the State Bar of Texas; however, if for any reason you believe an attorney in our Firm has violated the written rules of professional conduct for lawyers, you may either contact the State Bar of Texas Client-Attorney Assistance Program by calling (800) 932-1900 (toll free) or by filing a grievance with the Office of the Chief Disciplinary Counsel of the State Bar of Texas online at <http://cdc.texasbar.com> or by writing to P.O. Box 13287, Austin, Texas 78711. *Please note that by signing the grievance form, you will waive any attorney client privilege which would otherwise keep discussions between you and your attorney confidential.*

Texas Lawyer's Creed

On November 7, 1989, the Texas Supreme Court adopted the Texas Lawyer's Creed - a Mandate for Professionalism. Paragraph II, subparagraph 1 of the Creed requires us to advise you of its contents when we undertake representation. A copy of the Creed is available at: <https://www.legalethicstexas.com/texas-lawyers-creed-details>. We intend to abide by the Creed.

Conclusion

If the terms of our engagement as set forth in this letter are acceptable, please execute and return a copy of this letter to me to confirm the District's agreement. We look forward to having the opportunity to work with the Board and the District's other consultants.

Sincerely,

ARMBRUST & BROWN, PLLC

By: _____
Anthony S. Corbett

Enclosures

ACCEPTED AND AGREED:

HEADWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY

By: _____

Name: _____

Title: _____

REQUIRED STATUTORY PROVISIONS ADDENDUM

This Required Statutory Provisions Addendum ("*Addendum*") is incorporated into the attached Proposal for legal services (the "*Contract*") between Armbrust & Brown, PLLC (the "*Contractor*") and Headwaters Municipal Utility District of Hays County (the "*District*"). If there is any conflict between the terms of the attached Contract and this Addendum, the terms of this Addendum will control.

1. Interested Parties. Contractor acknowledges that Texas Government Code Section 2252.908 (as amended, "*Section 2252.908*") requires disclosure of certain matters by contractors entering into a contract with a local government entity such as the District. Contractor confirms that it has reviewed Section 2252.908 and, if required to do so, will (1) complete a Form 1295, using the unique identification number specified on page 1 of the Contract, and electronically file it with the Texas Ethics Commission ("*TEC*"); and (2) submit the signed Form 1295, including the certification of filing number of the Form 1295 with the TEC, to the District at the same time the Contractor executes and submits the Contract to the District. Form 1295s are available on the TEC's website at <https://www.ethics.state.tx.us/filinginfo/1295/>. The Contract is not effective until the requirements listed above are satisfied and any approval or award of the Contract by the District is expressly made contingent upon Contractor's compliance with these requirements. **The signed Form 1295 may be submitted to the District in an electronic format.**

2. Conflicts of Interest. Contractor acknowledges that Texas Local Government Code Chapter 176 (as amended, "*Chapter 176*") requires the disclosure of certain matters by contractors doing business with or proposing to do business with local government entities such as the District. Contractor confirms that it has reviewed Chapter 176 and, if required to do so, will complete and return Form CIQ promulgated by the TEC, which is available on the TEC's website at <https://www.ethics.state.tx.us/forms/conflict/>, within seven days of the date of submitting the Contract to the District or within seven days of becoming aware of a matter that requires disclosure under Chapter 176, whichever is applicable.

3. Verification Under Subchapter F, Chapter 2252, Texas Government Code, Relating to Contracts with Sanctioned Companies. For purposes of Subchapter F of Chapter 2252 of the Texas Government Code (as amended, "*Subchapter F*"), Contractor represents and warrants that, neither Contractor, nor any wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of Contractor that exist to make a profit, are companies identified on a list prepared and maintained by the Comptroller under Sections 2252.153 or 2270.0201 of the Texas Government Code, as amended. The foregoing representation is made solely to comply with Subchapter F and excludes companies that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan, Iran, or a foreign terrorist organization. Contractor understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with Contractor.

4. Verification Under Chapter 2271, Texas Government Code, Relating to Contracts with Companies that Boycott Israel. If required under Chapter 2271 of the Texas Government Code (as amended, "*Chapter 2271*"), Contractor represents and warrants that, at the time of execution and delivery of the Contract, neither Contractor, nor any wholly or majority-owned subsidiary, parent company, or affiliate of Contractor that exist to make a profit, boycott Israel or will boycott Israel during the term of the Contract. The foregoing verification is made solely to comply with Chapter 2271. As used in the foregoing verification, "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. Contractor understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with Contractor.

5. Verification Under Chapter 2274, Texas Government Code, Relating to Contracts with Companies that Discriminate Against the Firearm and Ammunition Industries. If required under Chapter 2274 of the Texas Government Code (as amended, "*Chapter 2274*"), Contractor represents and warrants that, at the time of execution and delivery of the Contract, neither Contractor, nor any wholly or majority-owned subsidiary, parent company, or affiliate of Contractor that exists to make a profit, have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association or will discriminate during the term of the Contract against a firearm entity or firearm trade association. The foregoing verification is made solely to comply with Chapter 2274. As used in the foregoing verification, the terms "discriminate against a firearm entity," "firearm entity," and

“firearm trade association” have the meanings ascribed to them in Section 2274.001 of the Texas Government Code, as amended.

6. Verification Under Chapter 2276, Texas Government Code, Relating to Contracts With Companies Boycotting Certain Energy Companies. If required under Chapter 2276 of the Texas Government Code (as amended, “*Chapter 2276*”), Contractor represents and warrants that, at the time of execution and delivery of the Contract, neither Contractor, nor any wholly or majority-owned subsidiary, parent company, or affiliate of Contractor that exists to make a profit, boycott energy companies or will boycott energy companies during the term of the Contract. The foregoing verification is made solely to comply with Chapter 2276. As used in the foregoing verification, “boycott energy companies” means, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company: (1) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law or (2) does business with a company described in the preceding section (1).