

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 168
(Harris County, Texas)**

**PRELIMINARY OFFICIAL STATEMENT
DATED: SEPTEMBER 8, 2026**

**\$6,625,000
UNLIMITED TAX BONDS
SERIES 2026**

**BIDS DUE: 11:00 A.M., HOUSTON TIME
BONDS AWARDED: 6:00 P.M., HOUSTON TIME
TUESDAY, OCTOBER 13, 2026
HOUSTON, TEXAS**



PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 8, 2026

This Preliminary Official Statement is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds (as defined herein). Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser.

IN THE OPINION OF BOND COUNSEL (DEFINED BELOW), UNDER CURRENT LAW AND SUBJECT TO CONDITIONS DESCRIBED IN THE SECTION HEREIN “TAX EXEMPTION,” INTEREST ON THE BONDS (A) IS NOT INCLUDED IN GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES, (B) IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE FEDERAL ALTERNATIVE MINIMUM INCOME TAX, AND (C) IS TAKEN INTO ACCOUNT BY APPLICABLE CORPORATIONS (AS DEFINED IN SECTION 59(K) OF THE CODE) FOR THE ALTERNATIVE MINIMUM TAX IMPOSED ON SUCH CORPORATIONS. A HOLDER MAY BE SUBJECT TO OTHER FEDERAL TAX CONSEQUENCES AS DESCRIBED IN THE SECTION HEREIN “TAX EXEMPTION.”

The Bonds will be designated as “qualified tax-exempt obligations” for financial institutions. See “TAX EXEMPTION – Other Tax Matters.”

NEW ISSUE - Book-Entry Only

**Ratings: S&P Global Ratings (Underlying).... “A+” (stable outlook)
See “SALE AND DISTRIBUTION OF THE BONDS - Municipal
Bond Insurance and Ratings” herein**

\$6,625,000

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 168
(A Political Subdivision of the State of Texas located within Harris County, Texas)
UNLIMITED TAX BONDS, SERIES 2026**

Dated: November 1, 2026

**Due: September 1, as shown on the
inside cover**

Interest Accrual Date: Date of Delivery

Principal of the above-described Bonds (the “Bonds”) is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., currently in Houston, Texas, or any successor paying agent/registrar (the “Paying Agent,” “Registrar” or “Paying Agent/Registrar”). Interest on the Bonds accrues from the initial date of delivery (expected November 12, 2026) (the “Date of Delivery”), and is payable on September 1, 2027, and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

The Bonds are subject to redemption prior to maturity at the option of Harris County Municipal Utility District No. 168 (the “District”), as a whole or from time to time in part, on September 1, 2031, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

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

See Maturity Schedule on the inside cover

The Bonds constitute the eighth series of bonds issued by the District for the purpose of acquiring and constructing the waterworks, sanitary sewer and storm drainage system (the “System”) to serve the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE “INVESTMENT CONSIDERATIONS.” Voters in the District authorized a total of \$61,780,000 principal amount of bonds for the purpose of acquiring and constructing the System, \$49,670,000 for refunding purposes, and \$5,500,000 for the purpose of acquiring and constructing recreational facilities. Following the issuance of the Bonds, \$11,265,000 principal amount of unlimited tax bonds authorized by the District’s voters for the acquisition or construction of the System, and \$45,920,432.60 unlimited tax bonds authorized by the District’s voters for refunding purposes, and \$455,000 principal amount of unlimited tax bonds authorized by the District’s voters for the acquisition or construction of recreational facilities will remain authorized but unissued. See “THE BONDS – Issuance of Additional Debt.”

The Bonds, when issued, constitute valid and binding obligations of the District, and are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See “THE BONDS – Source of Payment.” Neither the State of Texas, the City of Houston, Texas, Harris County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Houston, Texas, or Harris County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Bonds are offered when, as and if issued by the District, subject among other things to the approval of the Attorney General of Texas and of The Muller Law Group, PLLC, Sugar Land, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about November 12, 2026.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy or shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULE

CUSIP Prefix(a): 414976

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>
2032 (c)	\$525,000			
2033 (c)	555,000			
2034 (c)	580,000			
2035 (c)	610,000			
2036 (c)	640,000			
2037 (c)	675,000			
2038 (c)	705,000			
2039 (c)	740,000			
2040 (c)	780,000			
2041 (c)	815,000			

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- (a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by CUSIP Global Services and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor (as defined herein), nor the Underwriter (as defined herein) take any responsibility for the accuracy of CUSIP numbers.
- (b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed.
- (c) Subject to optional redemption as described on the front cover.

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT	4
SALE AND DISTRIBUTION OF THE BONDS	5
Award of the Bonds.....	5
Marketability	5
Securities Laws	5
Municipal Bond Insurance and Ratings	5
BOND INSURANCE RISK FACTORS	6
OFFICIAL STATEMENT SUMMARY	7
SELECTED FINANCIAL INFORMATION	14
INTRODUCTION	17
THE BONDS	17
General	17
Payment Record	17
Book-Entry-Only System	18
Use of Certain Terms in Other Sections of this Official Statement.....	19
Record Date.....	20
Assignments, Transfers and Exchanges	20
Redemption Provisions	20
Replacement of Registrar	20
Authority for Issuance	20
Source of Payment	21
Funds	21
Issuance of Additional Debt.....	21
No Arbitrage.....	22
Annexation	22
Strategic Partnership	23
Consolidation	23
Registered Owners' Remedies	23
Bankruptcy Limitation to Registered Owners' Rights.....	24
Legal Investment and Eligibility to Secure Public Funds in Texas	24
Defeasance	25
Use and Distribution of Bond Proceeds	25
THE DISTRICT	26
Authority	26
Description	27
Management of the District.....	27
DEVELOPMENT OF THE DISTRICT	29
PRINCIPAL LAND OWNERS	30
FUTURE DEVELOPMENT	30
AERIAL PHOTOGRAPH OF THE DISTRICT	31
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT.....	32
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT.....	33
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT.....	34
DISTRICT DEBT	35
Debt Service Requirement Schedule	35
Bonded Indebtedness.....	36
Estimated Direct and Overlapping Debt Statement.....	38
Debt Ratios.....	38

TAX DATA.....	39
Debt Service Tax.....	39
Tax Rate Limitation	39
Maintenance Tax.....	39
Historical Values and Tax Collection History.....	40
Tax Rate Distribution	40
Analysis of Tax Base.....	41
Principal 2026 Taxpayers	42
Tax Exemption	42
Additional Penalties	42
Tax Rate Calculations	42
Estimated Overlapping Taxes	43
TAXING PROCEDURES.....	44
Authority to Levy Taxes.....	44
Property Tax Code and County-wide Appraisal District.....	44
Property Subject to Taxation by the District	45
Tax Abatement	46
Valuation of Property for Taxation	46
District and Taxpayer Remedies	47
Levy and Collection of Taxes.....	47
Rollback of Operation and Maintenance Tax Rate.....	48
Tax Payment Installments After Disaster.....	49
District's Rights in the Event of Tax Delinquencies.....	49
THE SYSTEM.....	49
Regulation	49
Water Supply.....	50
Subsidence and Conversion to Surface Water Supply	50
Wastewater Treatment.....	51
Outfall Drainage Channel.....	51
100-Year Flood Plain.....	51
INVESTMENT CONSIDERATIONS	52
General	52
Factors Affecting Taxable Values and Tax Payments.....	52
Certain Tax Exemptions Provided for Affordable Housing	55
Tax Collection Limitations.....	56
Registered Owners' Remedies and Bankruptcy.....	56
Marketability	56
Future Debt.....	56
Increase in Costs of Building Materials	57
Continuing Compliance with Certain Covenants	57
Approval of the Bonds	57
Environmental Regulations	57
Extreme Weather Events.....	59
Potential Effects of Oil Price Volatility on the Houston Area.....	60
Future and Proposed Legislation.....	60
Continuing Compliance with Certain Covenants	60
LEGAL MATTERS	60
Legal Proceedings	60
No Arbitrage.....	61
No Material Adverse Change	61
No-Litigation Certificate	61
TAX EXEMPTION	61
Opinion of Bond Counsel.....	61
Alternative Minimum Tax.....	62
Other Tax Matters	62
Tax Accounting Treatment of Original Issue Discount and Premium Bonds	63

OFFICIAL STATEMENT.....	63
General	63
Experts.....	63
Certification as to Official Statement	64
Updating of Official Statement	64
CONTINUING DISCLOSURE OF INFORMATION	64
Annual Reports.....	64
Event Notices	65
Availability of Information	65
Limitations and Amendments	65
Compliance With Prior Undertakings	66
Official Statement “Deemed Final”	66

APPENDIX A - LOCATION MAP

APPENDIX B - FINANCIAL REPORT

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, resolutions, contracts, audits, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

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

Neither the District nor the Underwriter makes any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will," or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions, and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "INVESTMENT CONSIDERATIONS" in this Official Statement, as well as additional factors beyond the District's control. The important risk factors and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost to the District, which was tendered by _____ (referred to herein as the “Underwriter” or the “Initial Purchaser”) to purchase the Bonds bearing the interest rates shown under “MATURITY SCHEDULE” at a price of _____% of the principal amount thereof, which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Marketability

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

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

Municipal Bond Insurance and Ratings

Applications have been made to Assured Guaranty Inc. (“AG”) and Build America Mutual Assurance Company (“BAM”) to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than S&P Global Ratings (“S&P”), a division of S&P Global Inc., will be at the option and expense of the Underwriter. The Underwriter understands, by submission of its bid, that the Underwriter is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond guaranty insurance policy, and the payment of fees in connection with such ratings except the S&P rating fees as described below. S&P has assigned an underlying rating of “A+” (stable outlook) to the Bonds. If the Underwriter chooses to purchase municipal bond guaranty insurance on the Bonds, separate rating(s), including a rating by S&P, may at the election of the Underwriter be assigned the Bonds based upon the understanding that upon delivery of the Bonds a guaranty insurance policy insuring the timely payment

of the principal of and interest on the Bonds will be issued by the insurer. The District will pay the cost of both the underlying rating of S&P and the S&P rating associated with the guaranty insurance policy issued relating to the Bonds, if the latter is elected to be used by the Underwriter. As is stated in this Official Statement under the caption “LEGAL MATTERS - No Material Adverse Change,” if the Underwriter elects to purchase municipal bond insurance on the Bonds, the rating of the insurer’s creditworthiness by any rating agency does not and will not in any manner affect the District’s financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District’s financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

BOND INSURANCE RISK FACTORS

As is stated above under the caption “SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Guaranty Insurance and Ratings,” applications have been made to Assured Guaranty Inc. (“AG”) and Build America Mutual Assurance Company (“BAM”) to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than Moody’s Investors Service, Inc. will be at the option and expense of the Underwriter. If the Underwriter purchases such municipal bond guaranty insurance on the Bonds as set forth under such caption, in the event of default of the payment of principal of or interest on the Bonds when all or some become due, any owner of the Bonds shall have a claim under the municipal bond guaranty insurance policy (the “Policy”) for such payments.

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

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

The obligations of an insurer are contractual obligations and in an event of default by any such insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District, nor to the knowledge of the District the Underwriter, has made independent investigation into the claims paying ability of any potential insurer of the Bonds and no assurance or representation regarding the financial strength or projected financial strength of any potential insurer is made by either the District or the Underwriter. Therefore, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Bonds and the claims paying ability of any potential insurer, particularly over the life of the investment. See “SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Insurance and Ratings” above for further information regarding the District’s application for municipal bond guaranty insurance on the Bonds.

OFFICIAL STATEMENT SUMMARY

The following summary of certain information contained herein is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

The Issuer	Harris County Municipal Utility District No. 168 (the “District”) is a political subdivision of the State of Texas located within Harris County, Texas. See “THE DISTRICT - Authority.”
Description	The \$6,625,000 Unlimited Tax Bonds, Series 2026 (the “Bonds”), are dated November 1, 2026, and mature on September 1 in the years and principal amounts shown on the inside cover page of this Official Statement. Interest on the Bonds accrues from the Date of Delivery (as defined herein), at the rates shown on the inside cover hereof, and is payable on September 1, 2027, and on each March 1 and September 1 thereafter until maturity or prior redemption. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. The Bonds are subject to redemption, in whole or from time to time in part, prior to their scheduled maturities, on September 1, 2031, or on any date thereafter at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. See “THE BONDS.”
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., Houston, Texas, or any successor paying agent/registrar (the “Paying Agent/Registrar,” “Paying Agent” or “Registrar”), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).
Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “THE BONDS - Source of Payment,” “TAX DATA - Tax Rate Calculations,” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

Use of Proceeds.....

Proceeds of the sale of the Bonds will be used by the District to (i) finance the District's costs associated with the rehabilitation of Water Plant No. 1, the administration building, sanitary sewer pipes and manholes at Churchill and Cannock Chase, and the Regional Wastewater Treatment Plant; and construction of a hydropneumatic tank at Water Plant No. 3; and (ii) pay for administrative and issuance costs, legal fees, fiscal agent's fees, a fee to the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission"), engineering fees, and certain financing costs related to the issuance of the Bonds. See "THE BONDS - Use and Distribution of Bond Proceeds."

Payment Record

The Bonds constitute the eighth series of bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the "System") to serve the District. The District has previously issued Unlimited Tax Bonds, Series 1982 (the "Series 1982 Bonds"); Unlimited Tax Bonds, Series 1983 (the "Series 1983 Bonds"); Unlimited Tax Bonds, Series 1986 (the "Series 1986 Bonds"); Unlimited Tax Bonds, Series 2004 (the "Series 2004 Bonds"); Unlimited Tax Bonds, Series 2009 (the "Series 2009 Bonds"), Unlimited Tax Bonds, Series 2014 (the "Series 2014 Bonds") and Unlimited Tax Bonds, Series 2017 (the "Series 2017 Bonds") for the purpose of acquiring and constructing components of the System to serve the District. The District has previously issued Unlimited Tax Refunding Bonds, Series 1992 (the "Series 1992 Refunding Bonds"); Unlimited Tax Refunding Bonds, Series 1994 (the "Series 1994 Refunding Bonds"); and Unlimited Tax Refunding Bonds, Series 2004 (the "Series 2004 Refunding Bonds") for refunding purposes. The District has previously issued Unlimited Tax Bonds, Series 2012 (the "Series 2012 Bonds") and Unlimited Tax Park Bonds, Series 2020 (the "Series 2020 Park Bonds") for the purpose of acquiring and constructing recreational facilities to serve the District. All of such previously issued bonds of the District are hereinafter referred to as the "Prior Bonds." The District has timely paid all payments on the Prior Bonds when due. Before the issuance of the Bonds, the aggregate principal amount of the Prior Bonds that had not been previously retired by the District was \$7,865,000 (collectively, the "Outstanding Bonds"), and after the issuance of the Bonds, the total of the District's direct bonded indebtedness, consisting of the Outstanding Bonds and the Bonds, will be \$14,490,000.

Authority for Issuance.....

At a consolidation election held within the District on November 3, 1981, voters of the District authorized a total of \$23,780,000 in bonds for the purpose of acquiring or constructing components of the System and \$11,670,000 in bonds for refunding purposes; at an election held within the district on November 6, 2007, voters of the District authorized an additional \$38,000,000 in bonds for the purpose of acquiring or constructing components of the System and \$38,000,000 in bonds for refunding purposes;

and at an election held within the District on May 8, 2010, voters of the District authorized a total of \$5,500,000 in bonds for park and recreational facilities. The Bonds constitute the eighth issuance of bonds from such authorization for the System. After sale of the Bonds, \$11,265,000 unlimited tax bonds for the System, \$45,920,432.60 unlimited tax bonds for refunding purposes and \$455,000 unlimited tax bonds for park and recreational facilities will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the Texas Commission on Environmental Quality (the “Commission” or the “TCEQ”).

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

Authorized but Unissued Bonds.....

Following the issuance of the Bonds, the District will have the following authorizations remaining: \$11,265,000 for the System, \$45,920,432.60 bonds for refunding purposes, and \$455,000 for parks and recreational facilities. See “THE BONDS - Issuance of Additional Debt.” In addition to the components of the System and recreational facilities that the District financed with the sale of the Prior Bonds and the components of the System that the District is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance the acquisition or construction of additional components of the System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt,” “INVESTMENT CONSIDERATIONS - Future Debt” and “FUTURE DEVELOPMENT.”

Municipal Bond Insurance and Ratings

Applications have been made to Assured Guaranty Inc. (“AG”) and Build America Mutual Assurance Company (“BAM”) to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than S&P Global Ratings (“S&P”), a division of S&P Global Inc., will be at the option and expense of the Underwriter. The Underwriter understands, by submission of its bid, that the Underwriter is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond guaranty insurance policy, and the payment of fees in

connection with such ratings except the S&P rating fees as described below. S&P has assigned an underlying rating of “A+” (stable outlook) to the Bonds. If the Underwriter chooses to purchase municipal bond guaranty insurance on the Bonds, separate rating(s), including a rating by S&P, may at the election of the Underwriter be assigned the Bonds based upon the understanding that upon delivery of the Bonds a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. The District will pay the cost of both the underlying rating of S&P and the S&P rating associated with the guaranty insurance policy issued relating to the Bonds, if the latter is elected to be used by the Underwriter. As is stated in this Official Statement under the caption “LEGAL MATTERS - No Material Adverse Change,” if the Underwriter elects to purchase municipal bond insurance on the Bonds, the rating of the insurer’s creditworthiness by any rating agency does not and will not in any manner affect the District’s financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District’s financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

General and Bond Counsel	The Muller Law Group, PLLC, Bond Counsel, Sugar Land, Texas. See “LEGAL MATTERS” and “TAX EXEMPTION.”
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor.....	Rathmann & Associates, L.P., Houston, Texas.
Engineer	Sherrington-Humble, LLC, Houston, Texas.
Paying Agent/Registrar	The Bank of New York Mellon Trust Company, N.A., Houston, Texas.
Qualified Tax-Exempt Obligations.....	The District will designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX EXEMPTION – Other Tax Matters.”

THE DISTRICT

Description.....	The District, a political subdivision of the State of Texas, was created by the Texas Water Commission, predecessor to the TCEQ, on March 13, 1979, and operates pursuant to Chapters 49 and 54 of the Texas Water Code. On November 3, 1981, the qualified voters of Harris County Municipal Utility District No. 168 and the adjoining Harris County Municipal Utility District No. 169 voted to consolidate the two districts. The consolidated district is known as Harris County Municipal Utility District No. 168 of Harris County, Texas. (The term “District” herein shall mean Harris County Municipal Utility District No. 168 of Harris County, Texas as
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consolidated.) The District contains approximately 725.71 acres of land. The District is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas. The District is located within the Cypress-Fairbanks Independent School District. The District is located entirely within Harris County, Texas, approximately 20 miles northwest of the central business district of the City of Houston. The District is bounded on the east by Jones Road, and the District is located within one mile of the intersection of U.S. Highway 290 and FM 1960. See THE DISTRICT - “Description,” and “APPENDIX A - LOCATION MAP.”

Authority

The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas, and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT - General.”

Development of the District.....

As of September 1, 2026, the status of home construction and of multi-family residential and commercial development within the District was as follows:

Residential Improvements

Homes Completed	1,705
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Completed Multi-Family Improvements

The Retreat at Steeplechase Apartments	390
The Derby at Steeplechase	288
Sprucewood Apartments	152
Standard at Steepleway Apartments	260
Steepleway Downs Apartments	224
Sugar Creek Apartments	240
The Pointe at Steeplechase Apartments	316
The Trails at Rock Creek Apartments	344
Meadow Lands Apartments	236
Village on the Park Steeplechase	<u>177</u>
	2,627 units

Completed Commercial Improvements- Approximately 648,842 total square feet of building area consisting of the following:

One Steeplechase Office Building - approximately 60,898 square feet

Steeplechase Business Center - approximately 52,428 square feet

Steeplecrest Park Office Center - approximately 31,637 square feet

OFI Testing Equipment Inc. - approximately 58,126 square feet

Office Building - approximately 5,022 square feet

7 Retail Shopping Centers - aggregating approximately 177,707 square feet

Other improvements include 21 stand alone businesses aggregating approximately 263,024 square feet, including a 406 unit storage facility with approximately 143,588 square feet

Land within the District has been developed for single-family residential, multi-family residential and commercial usage as Steeplechase Community and Steeplechase Park. The construction of components of the System and street paving has been completed to serve the entirety of the District, and home construction and above-ground multi-family and commercial projects have been completed on all but approximately 3 parcels of land totaling approximately 2.64 acres of the developable land located within the District. No party is under any obligation to initiate development of any project on any of the approximately 2.64 acres of land located within the District on which above-ground improvements have not yet been constructed, or to complete any development, if begun, and any party initiating any such future development thereon could modify or discontinue its plans in its sole discretion. Accordingly, the District makes no representation that future development will occur. See “FUTURE DEVELOPMENT” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

Steeplechase Community has been developed primarily for single-family residential usage. The development of an aggregate of 1,705 single-family residential lots and approximately 5.1 acres of unrestricted commercial reserves platted as Steeplechase, Sections 1 through 6 is complete. As is stated above, 1,705 single-family residences have been constructed on such lots. The District financed portions of the cost of acquiring or constructing components of the System to serve all of such sections and certain recreational facilities that are described in this Official Statement under the caption “THE SYSTEM,” and other facilities, with portions of the proceeds of the sale of the Prior Bonds. The District is financing components of the System as is enumerated in this Official Statement under the caption “THE BONDS - Use and Distribution of Bond Proceeds,” with portions of the proceeds of the sale of the Bonds.

The development of Steeplechase Park, Section 1 (approximately 107.61 acres); Section 2 (approximately 77.24 acres); and Section 3 (approximately 60.57 acres) for multi-family residential and commercial usage is also complete. The District financed its portion of the cost of components of the System to serve such sections with portions of the proceeds of the Prior Bonds

Principal Land Owners.....

The ten principal taxpayers on the District’s 2026 tax roll own property the Assessed Valuation of which aggregates

\$223,465,041, comprising a total of approximately 29.83% of the District's total 2026 Assessed Valuation. The largest component of the District's tax roll in 2026 consists of the 344 unit The Trails at Rock Creek Apartments. The Assessed Valuation of such property in 2026 comprises approximately 6.09% of the District's total 2026 Assessed Valuation. The second largest component of the District's tax roll in 2026 consists of the 390 unit The Retreat at Steeplechase Apartments. The Assessed Valuation of such property in 2026 comprises approximately 5.39% of the District's total 2026 Assessed Valuation. The third largest component of the District's tax roll in 2026 consists of the 288 unit The Derby at Steeplechase Apartments. The Assessed Valuation of such property in 2026 comprises approximately 3.55% of the District's total 2026 Assessed Valuation. The fourth largest component of the District's tax roll in 2026 consists of the 260 unit The Standard at Steepleway Apartments. The Assessed Valuation of such property in 2026 comprises approximately 2.93% of the District's total 2026 Assessed Valuation. No other owner of property reflected on the District's 2026 tax roll owns property that exceeds 2.76% of the District's total 2026 Assessed Valuation. See "TAX DATA - Principal 2026 Taxpayers" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments - Principal Land Owners' Obligations to the District" and – "Certain Tax Exemptions Provided for Affordable Housing."

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION
(Unaudited)

2025 Assessed Valuation	\$	712,464,924 (a)
(As of January 1, 2025)		
See "TAX DATA" and "TAXING PROCEDURES"		
2026 Assessed Valuation.....	\$	749,112,672 (b)
(As of January 1, 2026)		
See "TAX DATA" and "TAXING PROCEDURES"		
Direct Debt:		
Outstanding Bonds.....	\$	7,865,000
The Bonds		<u>6,625,000</u>
Total	\$	14,490,000 (c)
Estimated Overlapping Debt	\$	<u>40,368,525</u>
Total Direct and Estimated Overlapping Debt	\$	<u>54,858,525</u>
Direct Debt Ratios		
: as a percentage of 2025 Assessed Valuation.....		2.03 %
: as a percentage of 2026 Assessed Valuation.....		1.93 %
Direct and Overlapping Debt Ratios		
: as a percentage of 2025 Assessed Valuation.....		7.70 %
: as a percentage of 2026 Assessed Valuation.....		7.32 %
Debt Service Fund Balance Estimated as of Delivery of the Bonds.....	\$	1,634,044 (d)
General Fund Balance as of August 11, 2026	\$	9,601,047
2025 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax.....	\$0.27	
Maintenance Tax.....	<u>0.11</u>	
Total	\$	0.38 (e)
Anticipated Approximate 2026 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax.....	\$0.28	
Maintenance Tax.....	<u>0.10</u>	
Total	\$	0.38 (e)
Average Percentage of Total Tax Collections (2015-2024) as of July 31, 2026		99.98 %
Percentage of Tax Collections 2025 Levy as of July 31, 2026.....		99.00 %
Average Annual Debt Service Requirements on the Bonds and the		
Outstanding Bonds (2027-2041).....	\$	1,238,182
Maximum Annual Debt Service Requirements on the Bonds and the		
Outstanding Bonds (2029)	\$	2,318,213

Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual
Debt Service Requirements on the Bonds and the Outstanding Bonds
(2027-2041) at 95% Tax Collections

Based Upon 2025 Assessed Valuation.....	\$	0.19
Based Upon 2026 Assessed Valuation.....	\$	0.18

Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual
Debt Service Requirements on the Bonds and the Outstanding Bonds
(2029) at 95% Tax Collections

Based Upon 2025 Assessed Valuation.....	\$	0.35
Based Upon 2026 Assessed Valuation.....	\$	0.33

Number of Single Family Residences 1,705

Number of Multi-Family Units 2,627

Other Improvements - Approximately 648,842 total square feet of building area, including:
Office buildings and warehouse complex aggregating approximately 208,111 square feet
Seven retail shopping centers aggregating approximately 177,707 square feet
Stand alone businesses aggregating approximately 263,024 square feet,
including a 406 unit storage facility with approximately 143,588 square feet

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- (a) As of January 1, 2025, and comprises the District's 2025 tax roll. All property located in the District is valued on the tax rolls by the Harris Central Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
- (b) As of January 1, 2026, and comprises the District's 2026 tax roll. Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such properties is \$56,379,307, which total is included in the amount of \$749,112,672. The Appraisal District has proposed the valuation of such properties to be \$62,172,712. The District is unable to predict the amount of the District's final 2026 Assessed Valuation. Such final 2026 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2026. See "TAXING PROCEDURES."
- (c) In addition to the components of the System and recreational facilities that the District financed with the sale of the Prior Bonds and the components of the System that the District is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional components of the System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and - "Use and Distribution of Bond Proceeds," "FUTURE DEVELOPMENT," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."
- (d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. Such fund balance reflects the timely payment by the District of the entirety of its debt service payments that were due in 2026. The District's initial debt service payment on the Bonds, consisting of an interest payment thereon, is due on September 1, 2027.
- (e) The District levied a debt service tax in the amount of \$0.27 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.11 per \$100 of Assessed Valuation for 2025. The District anticipates levying a debt service tax of \$0.28 per \$100 of Assessed Valuation plus a maintenance tax of \$0.10 per \$100 of Assessed Valuation for 2026. As is described in this Official Statement under the caption "TAX DATA - Estimated

Overlapping Taxes,” the aggregate of the 2025 tax levies of all units of government which levy taxes against the property located within the District, plus the 2025 tax of the District is \$2.181828 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

\$6,625,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 168
UNLIMITED TAX BONDS
SERIES 2026

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 168 (the “District”) of \$6,625,000 Unlimited Tax Bonds, Series 2026 (the “Bonds”). The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended, an election held within the District (see “THE BONDS - Authority for Issuance”), an order of the TCEQ, and a resolution authorizing issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”).

Included in this Official Statement are descriptions of the Bonds, the plan of financing, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from The Muller Law Group, PLLC, 202 Century Square Boulevard, Sugar Land, Texas 77478, upon payment of duplication costs. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the order for the Bonds (the “Bond Resolution”) of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds.

The Bonds are dated November 1, 2026. Interest accrues from the date of initial delivery (the “Date of Delivery”), at the rates shown on the inside cover page hereof, and is payable on September 1, 2027, and on each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. The Bonds are fully registered bonds maturing on September 1 of the years shown under “MATURITY SCHEDULE” on the inside cover page of this Official Statement. Principal of the Bonds will be payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., Houston, Texas, or any successor paying agent/registrar (the “Paying Agent/Registrar,” “Paying Agent” or “Registrar”).

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

Payment Record

The Bonds constitute the eighth series of bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the “System”) to serve the District. The District has previously issued Unlimited Tax Bonds, Series 1982 (the “Series 1982 Bonds”); Unlimited Tax Bonds, Series 1983 (the “Series 1983 Bonds”); Unlimited Tax Bonds, Series 1986 (the “Series 1986 Bonds”); Unlimited Tax Bonds, Series 2004 (the “Series 2004 Bonds”); Unlimited Tax Bonds, Series 2009 (the “Series 2009 Bonds”), Unlimited Tax Bonds, Series 2014 (the “Series 2014 Bonds”) and Unlimited Tax Bonds, Series 2017 (the “Series 2017 Bonds”) for the purpose of acquiring and constructing components of the System to serve the District. The District has previously issued Unlimited Tax Refunding Bonds, Series 1992 (the “Series 1992 Refunding Bonds”); Unlimited Tax Refunding Bonds,

Series 1994 (the “Series 1994 Refunding Bonds”); and Unlimited Tax Refunding Bonds, Series 2004 (the “Series 2004 Refunding Bonds”) for refunding purposes. The District has previously issued Unlimited Tax Bonds, Series 2012 (the “Series 2012 Bonds”) and Unlimited Tax Park Bonds, Series 2020 (the “Series 2020 Park Bonds”) for the purpose of acquiring and constructing recreational facilities to serve the District. All of such previously issued bonds of the District are hereinafter referred to as the “Prior Bonds.” The District has timely paid all payments on the Prior Bonds when due. Before the issuance of the Bonds, the aggregate principal amount of the Prior Bonds that had not been previously retired by the District was \$7,865,000 (collectively, the “Outstanding Bonds”), and after the issuance of the Bonds, the total of the District’s direct bonded indebtedness, consisting of the Outstanding Bonds and the Bonds, will be \$14,490,000.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

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

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries.

Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating of “AA+” from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations

providing details of the transaction as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Record Date

The record date for payment of the interest on any regularly scheduled interest payment date is defined as the 15th day of the month (whether or not a business day) preceding such interest payment date.

Assignments, Transfers and Exchanges

In the event the book-entry-only system is discontinued, the Bonds may be transferred, registered, and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of delivery of the Bonds to the Initial Purchaser, any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three business days after the receipt of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss, or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

Redemption Provisions

The Bonds are subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2031, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If fewer than all of the Bonds are redeemed at any time, the particular maturity or maturities and amounts to be redeemed shall be selected by the District. If fewer than all of the Bonds within a maturity are to be redeemed, the Registrar shall designate by method of random selection the Bonds within such maturity to be redeemed (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Replacement of Registrar

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

Authority for Issuance

At a consolidation election held within the District on November 3, 1981, voters of the District authorized a total of \$23,780,000 in bonds for the purpose of acquiring or constructing components of the System and \$11,670,000 in bonds for refunding purposes; at an election held within the district on November 6, 2007, voters of the District authorized an additional \$38,000,000 in bonds for the purpose of acquiring or constructing components of the System

and \$38,000,000 in bonds for refunding purposes; and at an election held within the District on May 8, 2010, voters of the District authorized a total of \$5,500,000 in bonds for park and recreational facilities. The Bonds constitute the eighth issuance of bonds from such authorization for the System. After sale of the Bonds, \$11,265,000 unlimited tax bonds for the System, \$45,920,432.60 unlimited tax bonds for refunding purposes and \$455,000 unlimited tax bonds for park and recreational facilities will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the Texas Commission on Environmental Quality (the "Commission" or the "TCEQ").

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

Source of Payment

The Bonds (together with the Outstanding Bonds, as defined herein, and such additional tax bonds as may hereafter be issued by the District) are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, and Registrar fees. Tax proceeds, after deduction for collection costs, will be placed in the debt service fund and used solely to pay principal of and interest on the Bonds, on such additional bonds payable from taxes which may be issued, and Registrar fees.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Harris County, the City of Houston, Texas, or any entity other than the District.

Funds

The Bond Resolution confirms the Debt Service Fund. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds and any additional unlimited tax bonds issued or that have been issued by the District for the System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, the Outstanding Bonds, and any of the District's other duly authorized bonds payable in whole or in part from taxes. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/ Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Outstanding Bonds, and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Issuance of Additional Debt

The District may issue bonds necessary to provide improvements and facilities consistent with the purposes for which the District was created and for refunding purposes. The District has the right to issue Bonds for waterworks, sanitary sewer, and drainage facilities as authorized by District voters at elections held as follows. At an election held within the District on April 7, 1979, \$16,000,000 in bonds were authorized by voters, provided that the net effective interest rate on the bonds did not exceed 10%. On April 8, 1981, the voters of the District reauthorized the issuance of \$16,000,000 in bonds provided that the net effective interest rate on each issue or series of said bonds not exceed the maximum legal limit in effect at the time of issuance of each such issue or series of bonds. At an election held within Harris County Municipal Utility District No. 169 ("No. 169") on January 17, 1981, \$7,780,000 in unlimited tax bonds and \$7,780,000 in combination tax and revenue bonds and one and a half times that amount in refunding bonds were authorized by the voters. Such bonds were authorized to be sold at the maximum legal limit in effect at the time of issuance of each such issue or series of bonds. Upon consolidation of the District and No. 169 at elections held within each district on November 3, 1981, No. 169 assumed the District's obligations, including authorized but unissued bonds and refunding bonds; however, The District assumed only No. 169's \$7,780,000 unlimited tax bonds and the refunding authority in the amount of one and one half times the \$7,780,000 tax bonds. The resulting consolidated district, the District, then had \$23,780,000 unlimited tax bonds and \$11,670,000 refunding bonds authorized. At an election held within the District on November 6, 2007, \$38,000,000 in unlimited tax bonds and \$38,000,000 for refunding bonds were authorized by the District's voters. At an election held within the District on May 8, 2010,

\$5,500,000 unlimited tax bonds for parks and recreational facilities were authorized by the District's voters. Following the issuance of the Bonds, the District will have \$11,265,000 unlimited tax bonds to issue to provide System improvements and facilities authorized but unissued. The District has issued Refunding Bonds in 1992, 1994 and 2004, leaving \$45,920,432.60 in authorized but unissued refunding bonds. The District has \$455,000 unlimited tax bonds for park and recreational facilities authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District if authorized by the District's voters and approved by the Board and the TCEQ. See "DEVELOPMENT OF THE DISTRICT," "FUTURE DEVELOPMENT," and "THE SYSTEM." The District has the right to issue the aforementioned bonds without the necessity of further voter authorization. In addition to the above-mentioned bonds, the District has the right to issue such additional tax bonds, or combination tax and revenue bonds as may be hereafter approved by the voters of the District. Before issuing any additional bonds for waterworks, sanitary sewer, and drainage facilities or for recreational facilities, the District would have to obtain approval of the TCEQ for the issuance of such bonds and the projects to be financed thereby. The District also has the right to issue revenue bonds, revenue notes, bond anticipation notes, and tax anticipation notes without the necessity of voter approval. In addition, the District has the right to enter into contracts and to pledge its taxing power to secure any payments the District is required to make under such a contract, provided the provisions of the contract are approved by the voters of the District. The District further has the right to issue refunding bonds, in addition to the refunding bonds described above, with additional voter approval. The Bond Resolution places no limitation on the amount of additional bonds which may be issued by the District. See "INVESTMENT CONSIDERATIONS - Future Debt."

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The District does not provide fire protection service, and the Board has not considered calling such an election at this time. The District has no information concerning any determination by the City of Houston to modify its consent ordinance. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

No Arbitrage

The District certifies that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of fact and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. See "Strategic Partnership," below for a description of the terms of the Strategic Partnership Agreement between the City and the District.

If the District is annexed, the City of Houston will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

Strategic Partnership

The District and the City of Houston (the "City") have entered into a Strategic Partnership Agreement (the "SPA") pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" for that portion of the District which is developed for retail and commercial purposes. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" for at least thirty (30) years from the SPA's effective date.

As of May 8, 2012, the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion includes primarily retail and commercial development within the District. The City pays to the District an amount equal to one half (½) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the "Sales Tax Revenue"). The District may use Sales Tax Revenue generated under the SPA for lawfully authorized purposes. None of the Sales Tax Revenue is pledged toward the payment of principal and interest on the Outstanding Bonds or the Bonds.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original districts as if no consolidation had taken place. No representation is made concerning whether the District will consolidate its water and wastewater systems with any other district, but the District currently has no plans to do so.

Registered Owners' Remedies

Pursuant to Texas law, the Bond Resolution provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to observe and perform its covenants and obligations to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such

as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See “Bankruptcy Limitation to Registered Owners' Rights” below.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted from Section 49.186 of the Texas Water Code, and is applicable to the District:

“(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.”

“(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.”

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Resolution.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Resolution does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.

Use and Distribution of Bond Proceeds

Proceeds of the sale of the Bonds will be used by the District to (i) finance the District's costs associated with the rehabilitation of Water Plant No. 1, the administration building, sanitary sewer pipes and manholes at Churchill and Cannock Chase, and the Regional Wastewater Treatment Plant; and construction of a hydropneumatic tank at Water Plant No. 3; and (ii) pay for administrative and issuance costs, legal fees, fiscal agent's fees, a fee to the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission"), engineering fees, and certain financing costs related to the issuance of the Bonds.

Construction Costs**District Share**

A. Developer Contribution Items - None

B. District Items

1. Water Plant No. 1 Rehabilitation	\$	2,470,253
2. Administration Building Rehabilitation		389,544
3. Hydropneumatic Tank at Water Plant No. 3		350,000
4. Sanitary Sewer Rehabilitation at Churchill and Cannock Chase		1,115,000
5. Additional Regional Wastewater Treatment Plant Rehabilitation		456,000
6. Contingencies		439,126
7. Engineering		<u>788,832</u>

Total District Items	\$	<u>6,008,755</u>
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TOTAL CONSTRUCTION COSTS	\$	6,007,755
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Non-Construction Costs

1. Legal Fees	\$	162,500
2. Financial Advisor Fees		132,500
3. Bond Discount		198,750
4. Bond Issuance Expenses		58,807
5. Bond Application Report Costs		40,500
6. Attorney General Fee		6,625
7. TCEQ Bond Issuance Fee		16,563
8. Contingency *		<u>0</u>

TOTAL NON-CONSTRUCTION COSTS	\$	<u>616,245</u>
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TOTAL BOND ISSUE REQUIREMENT	\$	<u>6,625,000</u>
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* The TCEQ directed that any surplus funds resulting from the sale of Bonds at a lower interest rate than proposed shall be shown as a contingency line item. The use of these funds is subject to the TCEQ rules.

THE DISTRICT**Authority**

The District is a municipal utility district which was created over an initial area of approximately 479.34 acres of land by order of the Texas Water Commission, predecessor to the TCEQ, dated March 13, 1979, pursuant to the authority of Article XVI, Section 59 of the Constitution of Texas and Chapters 49 and 54, Texas Water Code. Creation was confirmed at an election held within the boundaries of the District on April 7, 1979, by a vote of 4 "For" to 0 "Against". On November 3, 1981, the qualified voters of the District and the qualified voters of the adjoining No. 169 at elections held within each district, by votes of 2 "For" and 0 "Against" and 3 "For" and 0 "Against", respectively, voted to consolidate the two districts pursuant to an Agreement and Terms of Consolidation entered into as of October 1, 1981, in accordance with the applicable provisions of the Texas Water Code. Such consolidation was effective upon the canvassing of the results of the elections, which canvassing took place on November 5, 1981, at separate meetings held by the boards of directors of the districts. As provided in such Agreement and Terms of Consolidation, the

consolidated district is known as Harris County Municipal Utility District No. 168 of Harris County, Texas, and contains approximately 725.71 acres of land. (The term “District” as used herein means Harris County Municipal Utility District No. 168 of Harris County, Texas, as consolidated.) As a result of the elections to consolidate, each of the consolidating districts assumed the other's obligations, including authorized but unissued bonds. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code. The District is subject to the continuing supervision of the TCEQ.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water.

Under certain limited circumstances the District also is authorized to construct, develop and maintain park and recreational facilities and to construct roads. In addition, the District is authorized to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent of the City, within whose extraterritorial jurisdiction the District lies, the District has agreed to observe certain City requirements. These requirements limit the purposes for which the District may sell bonds for the acquisition and improvement of waterworks, wastewater and drainage facilities and park and recreational facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require approval by the City of the District's construction plans and specifications.

Description

The District contains approximately 725.71 acres of land and is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas. The District is located within the Cypress-Fairbanks Independent School District. The District is located entirely within Harris County, Texas, approximately 20 miles northwest of the central business district of the City of Houston. The District is bounded on the east by Jones Road, and the District is located within one mile of the intersection of U.S. Highway 290 and FM 1960. See “AERIAL PHOTOGRAPH OF THE DISTRICT,” and “APPENDIX A - LOCATION MAP.”

Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. All of the Directors currently reside within the District.

The current members and officers of the Board, along with their respective terms of office, are listed below.

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
Thomas L. Tanous, Sr.	President	2028
James S. Busch	Vice President	2030
Nace Peard	Secretary	2030
Jo Ann Montgomery	Assistant Secretary	2028
Wendell Robert Barron	Assistant Secretary/ Investment Officer	2028

The District does not have a general manager or any other employee, but has contracted for services as follows.

Tax Assessor/Collector

The District's Tax Assessor/Collector is Bob Leared Interests. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Harris Central Appraisal District and bills and collects such levy.

Bookkeeper

The District's bookkeeper is McLennan & Associates, L.P.

System Operator

The District's operator is Inframark, LLC

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's current auditor is McGrath & Co., PLLC, Certified Public Accountants, Houston, Texas. A copy of the District's audit for the fiscal year ended September 30, 2025, which was prepared by McGrath & Co., PLLC, is included as "APPENDIX B" to this Official Statement.

Engineer

The consulting engineer for the District is Sherrington-Humble, LLC, Houston, Texas (the "Engineer").

Disclosure Counsel

McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

General and Bond Counsel

The District has engaged The Muller Law Group, PLLC, Sugar Land, Texas, as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

Financial Advisor

The District has engaged Rathmann & Associates, L.P. as financial advisor (the "Financial Advisor") to the District. The fee paid the Financial Advisor for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fee is contingent upon the sale and delivery of the Bonds. Rathmann & Associates, L.P. is an independent municipal advisor registered with the United States Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB"). Rathmann & Associates, L.P.'s SEC registration number is 867-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.'s SEC registration Forms MA and MA-1's, which constitute Rathmann & Associates, L.P.'s registration filings, may be accessed through <http://www.sec.gov/edgar/searchedgar/companysearch.html>.

DEVELOPMENT OF THE DISTRICT

As of September 1, 2026, the status of home construction and of multi-family residential and commercial development within the District was as follows:

Residential Improvements

Homes Completed	1,705
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Completed Multi-Family Improvements

	<u>Units</u>
The Retreat at Steeplechase Apartments.....	390
The Derby at Steeplechase.....	288
Sprucewood Apartments.....	152
Standard at Steepleway Apartments	260
Steepleway Downs Apartments.....	224
Sugar Creek Apartments.....	240
The Pointe at Steeplechase Apartments.....	316
The Trails at Rock Creek Apartments.....	344
Meadow Lands Apartments.....	236
Village on the Park Steeplechase	<u>177</u>
	2,627

Completed Commercial Improvements - Approximately 648,842 total square feet of building area consisting of the following:

One Steeplechase Office Building - approximately 60,898 square feet Steeplechase Business Center - approximately 52,428 square feet Steeplecrest Park Office Center - approximately 31,637 square feet OFI Testing Equipment Inc. - approximately 58,126 square feet Office Building - approximately 5,022 square feet
7 Retail Shopping Centers - aggregating approximately 177,707 square feet

Other improvements include 21 stand alone businesses aggregating approximately 263,024 square feet, including a 406 unit storage facility with approximately 143,588 square feet

Land within the District has been developed for single-family residential, multi-family residential and commercial usage as Steeplechase Community and Steeplechase Park. The construction of components of the System and street paving has been completed to serve the entirety of the District, and home construction and above-ground multi-family and commercial projects have been completed on all but approximately 3 parcels of land totaling approximately 2.64 acres of the developable land located within the District. No party is under any obligation to initiate development of any project on any of the approximately 2.64 acres of land located within the District on which above-ground improvements have not yet been constructed, or to complete any development, if begun, and any party initiating any such future development thereon could modify or discontinue its plans in its sole discretion. Accordingly, the District makes no representation that future development will occur. See “FUTURE DEVELOPMENT” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

Steeplechase Community has been developed primarily for single-family residential usage. The development of an aggregate of 1,705 single-family residential lots and approximately 5.1 acres of unrestricted commercial reserves platted as Steeplechase, Sections 1 through 6 is complete. As is stated above, 1,705 single-family residences have been constructed on such lots. The District financed portions of the cost of acquiring or constructing components of the System to serve all of such sections and certain recreational facilities that are described in this Official Statement under the caption “THE SYSTEM,” and other facilities, with portions of the proceeds of the sale of the Prior Bonds. The District is financing components of the System, as is enumerated in this Official Statement under the caption “THE BONDS - Use and Distribution of Bond Proceeds,” with portions of the proceeds of the sale of the Bonds.

The development of Steeplechase Park, Section 1 (approximately 107.61 acres), Section 2 (approximately 77.24 acres), and Section 3 (approximately 60.57 acres) for multi-family residential and commercial usage is also complete. The District financed its portion of the cost of components of the System to serve such sections with portions of the proceeds of the Prior Bonds.

PRINCIPAL LAND OWNERS

The ten principal taxpayers on the District's 2026 tax roll own property the Assessed Valuation of which aggregates \$223,465,041, comprising a total of approximately 29.83% of the District's total 2026 Assessed Valuation. The largest component of the District's tax roll in 2026 consists of the 344 unit The Trails at Rock Creek Apartments. The Assessed Valuation of such property in 2026 comprises approximately 6.09% of the District's total 2026 Assessed Valuation. The second largest component of the District's tax roll in 2026 consists of the 390 unit The Retreat at Steeplechase Apartments. The Assessed Valuation of such property in 2026 comprises approximately 5.39% of the District's total 2026 Assessed Valuation. The third largest component of the District's tax roll in 2026 consists of the 288 unit The Derby at Steeplechase Apartments. The Assessed Valuation of such property in 2026 comprises approximately 3.55% of the District's total 2026 Assessed Valuation. The fourth largest component of the District's tax roll in 2026 consists of the 260 unit the Standard at Steepleway Apartments. The Assessed Valuation of such property in 2026 comprises approximately 2.93% of the District's total 2026 Assessed Valuation. No other owner of property reflected on the District's 2026 tax roll owns property that exceeds 2.76% of the District's total 2026 Assessed Valuation. See "TAX DATA - Principal 2026 Taxpayers" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments - Principal Land Owners' Obligations to the District" and – "Certain Tax Exemptions Provided for Affordable Housing."

FUTURE DEVELOPMENT

According to the District's Engineer, underground water, sewer and drainage facilities have been extended to all of the acreage within the District which is available for development. Such acreage includes all of Steeplechase Community and Steeplechase Park as is described in the section of this Official Statement entitled "DEVELOPMENT OF THE DISTRICT". These underground facilities, and the District's wastewater treatment and water supply facilities provide adequate capacities for all connections developed and expected to be developed in the District as planned. As is also stated under such caption, home construction and above-ground multi-family residential and commercial projects have been completed on all but approximately 3 parcels of land totaling approximately 2.64 acres of the developable land located within the District.

Following the issuance of the Bonds, the District will be authorized to issue \$11,265,000 unlimited tax bonds to provide improvements and facilities, \$45,920,432.60 bonds for refunding purposes, and \$455,000 for recreational facilities as approved by the District's voters. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District if authorized by the District's voters and approved by the Board and the TCEQ. See "THE BONDS - Issuance of Additional Debt." No party is under any obligation to initiate development of any project on any of the approximately 2.64 acres of land located within the District on which above-ground improvements have not yet been constructed, or to complete any development, if begun, and any party initiating any such future development thereon could modify or discontinue its plans in its sole discretion. Accordingly, the District makes no representation that future development will occur. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken September 2026)



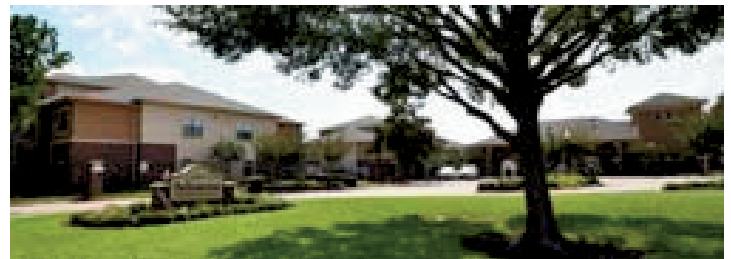
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken September 2026)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken September 2026)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken September 2026)



DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements of the Outstanding Bonds and the principal and estimated interest requirements of the Bonds.

Year Ending December 31	Current Total Debt Service	Plus: The Bonds		New Total Debt Service
		Principal	Interest*	
2026	\$1,946,613			\$1,946,613
2027	1,960,488		\$276,042	2,236,529
2028	1,972,738		331,250	2,303,988
2029	1,986,963		331,250	2,318,213
2030	1,248,000		331,250	1,579,250
2031	1,224,000		331,250	1,555,250
2032		\$525,000	331,250	856,250
2033		555,000	305,000	860,000
2034		580,000	277,250	857,250
2035		610,000	248,250	858,250
2036		640,000	217,750	857,750
2037		675,000	185,750	860,750
2038		705,000	152,000	857,000
2039		740,000	116,750	856,750
2040		780,000	79,750	859,750
2041		815,000	40,750	855,750
	\$10,338,802	\$6,625,000	\$3,555,542	\$20,519,343

Average Annual Requirements (2027-2041)	\$ 1,238,182
Maximum Annual Requirement (2029)	\$ 2,318,213

* Interest is estimated at 5.00% per annum for purposes of illustration.

Bonded Indebtedness

2025 Assessed Valuation	\$	712,464,924 (a)
(As of January 1, 2025)		
See "TAX DATA" and "TAXING PROCEDURES"		
2026 Assessed Valuation.....	\$	749,112,672 (b)
(As of January 1, 2026)		
See "TAX DATA" and "TAXING PROCEDURES"		
Direct Debt:		
Outstanding Bonds.....	\$	7,865,000
The Bonds		<u>6,625,000</u>
Total	\$	14,490,000 (c)
Estimated Overlapping Debt	\$	<u>40,368,525</u>
Total Direct and Estimated Overlapping Debt	\$	<u>54,858,525</u>
Direct Debt Ratios		
: as a percentage of 2025 Assessed Valuation.....		2.03 %
: as a percentage of 2026 Assessed Valuation.....		1.93 %
Direct and Overlapping Debt Ratios		
: as a percentage of 2025 Assessed Valuation.....		7.70 %
: as a percentage of 2026 Assessed Valuation.....		7.32 %
Debt Service Fund Balance Estimated as of Delivery of the Bonds.....	\$	1,634,044 (d)
General Fund Balance as of August 11, 2026	\$	9,601,047
2025 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax.....	\$0.27	
Maintenance Tax	<u>0.11</u>	
Total	\$	0.38 (e)
Anticipated Approximate 2026 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax.....	\$0.28	
Maintenance Tax	<u>0.10</u>	
Total	\$	0.38 (e)

(a) As of January 1, 2025, and comprises the District's 2025 tax roll. All property located in the District is valued on the tax rolls by the Harris Central Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS-Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

(b) As of January 1, 2026, and comprises the District's 2026 tax roll. Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such properties is \$56,379,307, which total is included in the amount of \$749,112,672. The Appraisal District has proposed the valuation of such properties to be \$62,172,712. The District is unable to predict the amount of the District's final 2026

Assessed Valuation. Such final 2026 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2026. See "TAXING PROCEDURES."

- (c) In addition to the components of the System and recreational facilities that the District financed with the sale of the Prior Bonds and the components of the System that the District is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional components of the System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and - "Use and Distribution of Bond Proceeds," "FUTURE DEVELOPMENT," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."
- (d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. Such fund balances reflect the timely payment by the District of the entirety of its debt service payments that were due in 2026. The District's initial debt service payment on the Bonds, consisting of an interest payment thereon, is due on September 1, 2027.
- (e) The District levied a debt service tax in the amount of \$0.27 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.11 per \$100 of Assessed Valuation for 2025. The District anticipates levying a debt service tax of \$0.28 per \$100 of Assessed Valuation plus a maintenance tax of \$0.10 per \$100 of Assessed Valuation for 2026. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2025 tax levies of all units of government which levy taxes against the property located within the District, plus the 2025 tax of the District is \$2.181828 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

Estimated Direct and Overlapping Debt Statement

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

<u>Taxing Jurisdiction</u>	<u>Debt as of August 1, 2026</u>	<u>Estimated Overlapping Percent</u>	<u>Amount</u>
Harris County	\$3,080,611,581	0.11233%	\$3,460,537
Harris County Department of Education	28,960,000	0.11233%	32,532
Harris County Flood Control District	1,034,900,000	0.11233%	1,162,532
Harris County Hospital District	1,644,825,000	0.11233%	1,847,678
Port of Houston Authority	386,074,397	0.11233%	433,688
Cypress-Fairbanks Independent School District	3,264,440,000	1.00267%	32,731,456
Lone Star College System	338,975,000	0.20653%	<u>700,102</u>
Total Estimated Overlapping Debt			\$ 40,368,525
The District (the Bonds and the Outstanding Bonds)			<u>\$ 14,490,000</u>
Total Direct & Estimated Overlapping Debt			\$ 54,858,525

Debt Ratios

	<u>% of 2025 Assessed Valuation</u>	<u>% of 2026 Assessed Valuation</u>
Direct Debt	2.03%	1.93%
Direct and Estimated Overlapping Debt	7.70%	7.32%

TAX DATA

Debt Service Tax

All taxable property within the District is subject to the assessment, levy, and collection by the District of an annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds, the Outstanding Bonds, and any future tax-supported bonds which may be issued by the District from time to time as authorized. See "TAXING PROCEDURES." The Board of Directors of the District has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax sufficient to produce funds to pay the principal of and interest on the Bonds when due. See "THE BONDS" and "INVESTMENT CONSIDERATIONS." The actual rate of such tax is determined annually as a function of the District's tax base, its debt service requirements, and available funds. The District levied a debt service tax for 2025 of \$0.27 per \$100 of Assessed Valuation as is illustrated below under the caption - "Tax Rate Distribution," and anticipates levying a debt service tax for 2026 of \$0.28 per \$100 of Assessed Valuation.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$0.25 per \$100 Assessed Valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. On April 7, 1979, the Board was authorized by a vote of the District's electors to levy such maintenance tax in an amount not to exceed \$0.25 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and the Outstanding Bonds and any parity bonds which may be issued in the future. The District levied a maintenance tax in 2025 of \$0.11 per \$100 of Assessed Valuation and as is illustrated below under the caption "Tax Rate Distribution," and anticipates levying a maintenance tax for 2026 of \$0.10 per \$100 of Assessed Valuation.

Historical Values and Tax Collection History

The following statement of tax collections sets forth, in condensed form, the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate(a)</u>	<u>Adjusted Levy</u>	<u>% Collections</u>	
				<u>Current & Prior Years (b)</u>	<u>Year Ending 9/30</u>
2015	\$435,998,031	\$0.53	\$2,310,637	99.96%	2016
2016	459,580,769	0.52	2,389,102	99.96%	2017
2017	473,120,522	0.50	2,364,923	99.91%	2018
2018	479,661,881	0.50	2,397,830	99.93%	2019
2019	513,496,326	0.50	2,566,995	99.95%	2020
2020	552,860,317	0.47	2,598,323	99.89%	2021
2021	580,419,592	0.45	2,611,889	99.84%	2022
2022	653,965,774	0.42	2,746,656	99.77%	2023
2023	722,182,328	0.39	2,816,511	99.80%	2024
2024	729,902,428	0.38	2,773,782	99.77%	2025
2025	712,464,924	0.38	2,720,551	99.00% (c)	2026
2026	749,112,672 (d)	0.38(e)	2,846,628(e)	(e)	2027

(a) Per \$100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through July 31, 2026. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

(c) In process of collection.

(d) Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such properties is \$56,379,307, which total is included in the amount of \$749,112,672. The Appraisal District has proposed the valuation of such properties to be \$62,172,712. The District is unable to predict the amount of the District's final 2026 Assessed Valuation. Such final 2026 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2026.

(e) The District anticipates levying a debt service tax of \$0.28 per \$100 of Assessed Valuation plus a maintenance tax of \$0.10 per \$100 of Assessed Valuation for 2026.

Tax Rate Distribution

	<u>2026*</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Debt Service	\$0.28	\$0.27	\$0.26	\$0.26	\$0.28	\$0.31
Maintenance & Operations	<u>0.10</u>	<u>0.11</u>	<u>0.12</u>	<u>0.13</u>	<u>0.14</u>	<u>0.14</u>
Total	\$0.38	\$0.38	\$0.38	\$0.39	\$0.42	\$0.45

* Anticipated tax rate.

Analysis of Tax Base

The following table illustrates the composition of property located within the District for the past five years.

<u>Type of Property</u>	2026		2025		2024	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	168,594,487	22.51%	176,136,912	24.72%	166,905,208	22.87%
Improvements	563,846,698	75.27%	563,453,740	79.09%	584,060,019	80.02%
Personal Property	26,855,089	3.58%	28,580,719	4.01%	29,123,862	3.99%
Uncertified	56,379,307	7.53%	0	0.00%	0	0.00%
Exemptions	<u>(66,562,909)</u>	<u>-8.89%</u>	<u>(55,706,447)</u>	<u>-7.82%</u>	<u>(50,186,661)</u>	<u>-6.88%</u>
Total	749,112,672*	100.00%	712,464,924	100.00%	729,902,428	100.00%

<u>Type of Property</u>	2023		2022	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	166,823,147	23.10%	146,054,291	22.33%
Improvements	605,399,265	83.83%	555,250,711	84.91%
Personal Property	26,738,871	3.70%	26,149,163	4.00%
Exemptions	<u>(76,778,955)</u>	<u>-10.63%</u>	<u>(73,488,391)</u>	<u>-11.24%</u>
Total	722,182,328	100.00%	653,965,774	100.00%

* Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such properties is \$56,379,307, which total is included in the amount of \$749,112,672. The Appraisal District has proposed the valuation of such properties to be \$62,172,712. The District is unable to predict the amount of the District's final 2026 Assessed Valuation. Such final 2026 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2026.

Principal 2026 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the assessed valuation of such property as of January 1, 2026. The information reflects the composition of property ownership reflected on the District's 2026 tax roll.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2026 Tax Roll</u>	<u>% of 2026 Tax Roll</u>
Trails Rock Creek Holding	Land & Improvements	\$45,592,702	6.09%
G & I IX Steeplechase LP	Land & Improvements	40,387,064	5.39%
Balasaria Derby TIC Et. Al.	Land & Improvements	26,612,778	3.55%
HPI Steeple LLC	Land & Improvements	21,979,828	2.93%
Veritas Equity Acquisition	Land & Improvements	20,689,199	2.76%
RS SWD LLC ET AL	Land & Improvements	15,627,832	2.09%
OFI Testing Equipment Inc	Land, Improvements & Personal Property	15,123,493	2.02%
Greyhound Steeplechase LP	Land & Improvements	14,403,412	1.92%
Sovran Acquisition LP 282	Land & Improvements	12,588,722	1.68%
Sprucewood Apartments LP	Land & Improvements	<u>10,460,011</u>	<u>1.40%</u>
		\$223,465,041	29.83%

Tax Exemption

The District has adopted a residential homestead exemption for 2026 in the amount of \$20,000 of the assessed valuation of residence homesteads for persons of age 65 years of age or older or disabled persons. The District has not adopted a general residential homestead exemption. See "TAXING PROCEDURES."

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 for personal property and July 1 for real property of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2025 Assessed Valuation or the 2026 Assessed Valuation. The calculations assume collection of 95% of taxes levied, no use of District funds on hand other than tax collections, and the sale of no bonds by the District except the Prior Bonds and the Bonds.

Average Annual Debt Service Requirements (2027-2041)	\$1,238,182
Tax rate of \$0.19 on the 2025 Assessed Valuation (\$712,464,924) produces	\$1,285,999
Tax rate of \$0.18 on the 2026 Assessed Valuation (\$749,112,672) produces	\$1,280,983

Maximum Annual Debt Service Requirement (2029)	\$2,318,213
Tax rate of \$0.35 on the 2025 Assessed Valuation (\$712,464,924) produces	\$2,368,946
Tax rate of \$0.33 on the 2026 Assessed Valuation (\$749,112,672) produces	\$2,348,468

The District levied a debt service tax in the amount of \$0.27 per \$100 of Assessed Valuation for 2025, plus a maintenance tax of \$0.11 per \$100 of Assessed Valuation. The District anticipates levying a debt service tax of \$0.28 per \$100 of Assessed Valuation plus a maintenance tax of \$0.10 per \$100 of Assessed Valuation for 2026. As the above table indicates, the anticipated 2026 debt service tax rate will be sufficient to pay the average annual but not the maximum annual debt service requirement on the Bonds and the Outstanding Bonds given taxable values in the District at the level of the 2026 Assessed Valuation, assuming the District will have a tax collection rate of 95%, no use of District funds on hand other than tax collections for such purpose, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds. See “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.” However, as is illustrated above under the caption “Historical Values and Tax Collection History,” the District had collected an average of 99.98% of its 2015 through 2024 tax levies as of July 31, 2026, and its 2025 tax levy was 99.00% collected as of such date. Moreover, the District's Debt Service Fund Balance is estimated to be \$1,634,044 as of the date of delivery of the Bonds. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in either Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see “APPENDIX B - FINANCIAL REPORT”). Therefore, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District anticipates levying for 2026 - \$0.28 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.” In addition to the components of the System and recreational facilities that the District financed with the sale of the Prior Bonds and the components of the System that the District is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance the acquisition or construction of additional components of the System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt” and - “Use and Distribution of Bond Proceeds,” “FUTURE DEVELOPMENT,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to the ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see “DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2025 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

<u>Taxing Jurisdiction</u>	<u>2025 Tax Rate Per \$100 of A.V.</u>
Harris County	\$0.380960
Harris Department of Education	0.004798
Harris County Flood Control District	0.049660
Harris County Hospital District	0.187610
Port of Houston Authority	0.005900
Cypress-Fairbanks Independent School District	1.066900
Lone Star College System	0.106000
The District (i)	<u>0.380000</u>
	\$2.181828

- (i) The District levied a debt service tax in the amount of \$0.27 per \$100 of Assessed Valuation for 2025, plus a maintenance tax of \$0.11 per \$100 of Assessed Valuation. The District anticipates levying a debt service tax of \$0.28 per \$100 of Assessed Valuation plus a maintenance tax of \$0.10 per \$100 of Assessed Valuation for 2026.

No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS - Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under “THE BONDS - Source of Payment.” Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System and for the payment of certain contractual obligations. See “TAX DATA - Maintenance Tax” and - “Tax Rate Distribution.”

Property Tax Code and County-wide Appraisal District

Title I of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Harris Central Appraisal District (the “Appraisal District”) has the responsibility of appraising property for all taxing units within Harris County, including the District. Such appraisal values will be subject to review and change by the Harris County Appraisal Review Board (the “Appraisal Review Board”).

The Property Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2026 tax year, the District has granted an exemption of \$20,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100%, and, under certain circumstances, the surviving spouse of such veteran, is entitled to the exemption for the full amount of the residential homestead. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount to be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has not granted a general residential homestead exemption for 2026. See "TAX DATA - Exemptions."

Freeport Goods Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action

to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District adopted a resolution electing to tax goods-in-transit on November 8, 2011. In addition, certain multifamily residential property owned by a housing authority may be exempt from taxation by the District if certain criteria are met. See "INVESTMENT CONSIDERATIONS."

Tax Abatement

Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City of Houston (after annexation of the land within the District), Harris County, and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine the terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Boards, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land and timberland.

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

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

District and Taxpayer Remedies

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

The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of

a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

Rollback of Operation and Maintenance Tax Rate

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

Low Tax Rate Districts

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

Developed Districts

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

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation. For the 2026 tax rate year, a determination has been made by the District's Board of Directors that the District is a Developed District.

Tax Payment Installments After Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area, and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

Additionally, the Texas Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdictions discretion, to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area, and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS -Tax Collection Limitations."

THE SYSTEM

Regulation

According to the District's Engineer, the System has been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City of Houston, Harris County, and the Harris County Flood Control District. Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. The total number of connections estimated at this time for the District

upon the full development of its approximate 725.7 acres is 3,229 with a total of 9,687 people. The following descriptions are based upon information supplied by the District's Engineer.

Water Supply

The District's existing water supply system includes: (a) 3,511 gallons-per-minute ("g.p.m.") of aggregate well capacity, (b) 1,181,146 gallons of aggregate ground storage tank capacity, (c) 65,000 gallons of aggregate hydropneumatic tank capacity, (d) an aggregate 10,800 g.p.m. of booster pump capacity, and (e) a 600,000 gallon elevated storage tank. According to the District's Engineer, the District's existing water supply system will provide adequate capacity to serve all connections within the District upon the full development of the District as such development is currently planned. The District will finance rehabilitation of Water Plant No. 1 and the administration building, and construction of a hydropneumatic tank at Water Plant No. 3 with a portion of the proceeds of the Bonds.

An emergency water line interconnection connects the District's water distribution system with No. 170's water supply and distribution system. As directed by the City of Houston, this line was oversized to provide capacity for areas outside the District. The District also shares emergency water supply interconnection lines with Northwest Harris County Municipal Utility District No. 29 ("NWHCMUD 29"), West Harris County Municipal Utility District No. 9 ("WHCMUD 9"), and the City of Jersey Village ("Jersey Village").

Subsidence and Conversion to Surface Water Supply

The District is within the boundaries of the Harris Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. In 1999, the Texas legislature created the North Harris County Regional Water Authority (the "Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Harris County. The District is located within the boundaries of the Authority. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District's groundwater well(s) are included within the Authority's GRP. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in the Authority's GRP.

The Authority, among other powers, has the power to (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees to be paid by the District for groundwater pumped by the District or for surface water received by the District from the Authority), user fees, rates, and charges as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, a fee of \$2.60 per 1,000 gallons based on the amount of groundwater pumped by the District, although the District primarily receives treated surface water from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2035 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total annual water demand within the Authority's GRP. In the event of

such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely seek monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. The District has made improvements to the System and has converted to surface water at the District's three water plants. The Authority currently charges surface water users a fee of \$3.05 per 1,000 gallons.

Wastewater Treatment

Wastewater from the District is treated pursuant to a contract between the District and Harris County Municipal Utility District No. 170 ("No. 170"). The wastewater treatment plant is located within the District but is owned and operated by No. 170. Phases 1 through 3 of the plant aggregated 2,500,000 gallons-per-day, of which capacity the District's share is 1,900,000 gallons-per-day. The District financed its pro rata share of the cost of the plant with portions of the proceeds of the Prior Bonds. According to the District's Engineer, the District's 1,900,000 gallons-per-day share in the facility will provide adequate wastewater treatment capacity to serve all connections within the District upon the full development of the District as such development is currently planned. The District will finance rehabilitation of sanitary sewer pipes and manholes at Churchill and Cannock Chase, and the Regional Wastewater Treatment Plant; with a portion of the proceeds of the Bonds.

Outfall Drainage Channel

The District financed the District's portion of the cost of outfall drainage channel improvements to provide for storm water drainage and payment of capital recovery fees for the District with a portion of the proceeds of the sale of the Prior Bonds. Such construction included improvements to (i) Drainage Ditch One, (ii) onsite and offsite improvements to White Oak Bayou, and (iii) the South Prong of White Oak Bayou.

100-Year Flood Plain

According to the District's Engineer, the Federal Emergency Management Agency ("FEMA") Flood Insurance Rate Maps Community - Panel Number 48201C0440N dated November 15, 2019, indicates that, except for portions of the District located immediately adjacent to the White Oak Bayou Drainage easement, a small portion of the District is designated as lying within the 100-year flood plain of White Oak Bayou.

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100 year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100 year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100 year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. If substantial or frequent flooding of homes were to occur in the area of the District, the marketing of homes and the future growth of property values in the District could be adversely affected. See "INVESTMENT CONSIDERATIONS - Extreme Weather Events."

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any political subdivision other than the District, will be secured by an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The entirety of the land located within the District has been developed for single-family residential, multi-family residential and commercial purposes, and all but approximately 3 parcels of land totaling approximately 2.64 acres of the developable land located within the District contain completed residences or above-ground multi-family residential or commercial projects. Therefore, the District's ability to meet its debt service requirements is directly related to the vitality of residential housing markets and general economic conditions as they affect the value of the existing commercial and multi-family residential developments within the District, and the rental and leasing of multi-family residential and commercial projects. The market value of the single-family residences that have been constructed within the District is related to general economic conditions affecting the demand for residences. Demand for residences of this type and the construction and leasing of commercial buildings and the construction and leasing of apartments can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and costs, the level of residential foreclosures, and the prosperity and demographic characteristics of the urban center toward which the marketing of homes, apartments and commercial enterprises is directed. Fluctuation in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing and the values of existing homes (see "Potential Effects of Oil Price Volatility on the Houston Area" below). Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although the development to the date hereof is as described in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT," the District cannot predict the pace or magnitude of any future development or the construction of other taxable improvements in the District. Moreover, the District cannot give any assurance that such improvements will maintain their current values, or predict the future level of occupancy of the apartments and office, retail and other commercial enterprises that have been constructed within the District.

National Economy: The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, employment levels and general economic conditions. Although the development to the date hereof is as described in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT," the District cannot predict the pace or magnitude of any future development or the construction of other taxable improvements in the District. Moreover, the District cannot give any assurance that such improvements will maintain their current values, or predict the future level of occupancy of the apartments and office, retail and other commercial enterprises that have been constructed within the District. See "FUTURE DEVELOPMENT." The District cannot predict what impact, if any, a downturn in the local housing market or a downturn in the national housing and financing markets may have on the Houston market generally and the District specifically, or the maintenance of assessed values in the District.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on the construction of future apartments or future office, retail or other commercial improvements within the District, particularly short-term interest rates at which the construction of future apartments or future office, retail or other commercial improvements within the District might be financed. Interest rate levels may affect the construction of future apartments, future office, retail or other commercial improvements within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for the continued construction of future apartments or future office, retail or other commercial improvements within the District. In addition, since the District is located approximately 20 miles northwest of the central business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston or decline in real estate and financial markets in the United States could adversely affect the construction of future apartments or future office, retail or other commercial improvements in the District and restrain the growth of the District's property tax base, and could have an adverse affect on occupancy levels of existing apartments and office, retail and other commercial enterprises within the District.

Principal Land Owners' Obligations to the District: The ten principal taxpayers on the District's 2026 tax roll own property the Assessed Valuation of which aggregates \$223,465,041, comprising a total of approximately 29.83% of the District's total 2026 Assessed Valuation. The largest component of the District's tax roll in 2026 consists of the 344 unit The Trails at Rock Creek Apartments. The Assessed Valuation of such property in 2026 comprises approximately 6.09% of the District's total 2026 Assessed Valuation. The second largest component of the District's tax roll in 2026 consists of the 390 unit The Retreat at Steeplechase Apartments. The Assessed Valuation of such property in 2026 comprises approximately 5.39% of the District's total 2026 Assessed Valuation. The third largest component of the District's tax roll in 2026 consists of the 288 unit The Derby at Steeplechase Apartments. The Assessed Valuation of such property in 2026 comprises approximately 3.55% of the District's total 2026 Assessed Valuation. The fourth largest component of the District's tax roll in 2026 consists of the 260 unit the Standard at Steepleway Apartments. The Assessed Valuation of such property in 2026 comprises approximately 2.93% of the District's total 2026 Assessed Valuation. No other owner of property reflected on the District's 2026 tax roll owns property that exceeds 2.76% of the District's total 2026 Assessed Valuation. See "TAX DATA - Principal 2026 Taxpayers." No party is under any obligation to initiate development of any project on any of the approximately 2.64 acres of land located within the District on which above-ground improvements have not yet been constructed, or to complete any development, if begun, and any party initiating any such future development thereon could modify or discontinue its plans in its sole discretion. Accordingly, the District makes no representation that future development will occur.

Maximum Impact on District Tax Rates: The value of the land and improvements currently within the District is the major determinant of the ability or willingness of District property owners to pay their taxes. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Outstanding Bonds will be \$2,318,213 (2029) and the average annual debt service requirements will be \$1,238,182 (2027 through 2041, inclusive). The 2025 Assessed Valuation of property located within the District supplied by the Appraisal District is \$712,464,924. Assuming no increase to nor decrease from the 2025 Assessed Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.35 and \$0.19 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively, on the Bonds and the Outstanding Bonds. The 2026 Assessed Valuation of property located within the District supplied by the Appraisal District is \$749,112,672. Assuming no increase to nor decrease from the 2026 Assessed Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.33 and \$0.18 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds. See "TAX DATA - Tax Rate Calculations." The District levied a debt service tax in the amount of \$0.27 per \$100 of Assessed Valuation for 2025, plus a maintenance tax of \$0.11 per \$100 of Assessed Valuation. The District anticipates levying a debt service tax

of \$0.28 per \$100 of Assessed Valuation plus a maintenance tax of \$0.10 per \$100 of Assessed Valuation for 2026. As the above information indicates, the anticipated 2026 debt service tax rate will be sufficient to pay the average annual but not the maximum annual debt service requirement on the Bonds and the Outstanding Bonds given taxable values in the District at the level of the 2026 Assessed Valuation, assuming the District will have a tax collection rate of 95%, no use of District funds on hand other than tax collections for such purpose, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds. See “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.” However, as is illustrated above under the caption “Historical Values and Tax Collection History,” the District had collected an average of 99.98% of its 2015 through 2024 tax levies as of July 31, 2026, and its 2025 tax levy was 99.00% collected as of such date. Moreover, the District's Debt Service Fund Balance is estimated to be \$1,634,044 as of the date of delivery of the Bonds. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in either Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see “APPENDIX B - FINANCIAL REPORT”). Therefore, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District anticipates levying for 2026 - \$0.28 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. In addition to the components of the System and recreational facilities that the District financed with the sale of the Prior Bonds and the components of the System that the District is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance the acquisition or construction of additional components of the System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt” and - “Use and Distribution of Bond Proceeds,” “FUTURE DEVELOPMENT,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS - Future Debt.”

As is described in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the 2025 tax levies of all units of government which levy taxes against the property located within the District, plus the 2025 tax of the District is \$2.181828 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

Increases in the District's tax rate to substantially higher levels than the total rate of \$0.38 per \$100 of Assessed Valuation that the District has levied for 2025 may have an adverse impact upon future development of the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be a costly and lengthy process. See “THE BONDS - Registered Owners' Remedies,” “TAX DATA - Estimated Overlapping Taxes” and “TAXING PROCEDURES.”

One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. See “THE BONDS - Registered Owners' Remedies,” “TAX DATA - Estimated Overlapping Taxes,” “TAXING PROCEDURES.”

Certain Tax Exemptions Provided for Affordable Housing

There are ten multifamily apartment complexes located within the District (see “DEVELOPMENT OF THE DISTRICT”). Certain multi-family housing may be exempt from ad valorem taxation by the District pursuant to Chapter 303 of the Texas Local Government Code (the “PFC Act”), Chapter 392 of the Texas Local Government Code (the “Housing Authority Act”), or Chapter 394 of the Texas Local Government Code (the “HFC Act”), if certain conditions are met. The Sugar Creek Apartments and Village on the Park Steeplechase are owned by a housing authority and are not subject to taxation by the District. The Landings at Steeplechase Apartments are currently pending legal review from the Appraisal District to change its tax exemption status. The District has not been given notice that any other apartment complex located in the District is exempt from taxation.

The Housing Authority Act authorizes cities and counties to create housing authorities to provide safe and sanitary housing for persons of low income within the area of operation of the housing authority. Multi-family property owned by a housing authority, including property for which a housing authority holds an equitable interest, is exempt from all taxes and special assessments of a city, county, the state, or another political subdivision, including conservation and reclamation districts such as the District, if certain conditions are met under the Housing Authority Act.

The PFC Act authorizes cities, counties, school districts, housing authorities and special districts (a “Sponsor”) to create a sponsored Public Facility Corporation (“PFC”) to acquire, construct, rehabilitate, renovate, repair, equip, furnish and place in service public facilities. These activities may be financed through certain obligations of either the Sponsor or the PFC. Under the PFC Act, a “public facility” includes any real, personal, or mixed property, or an interest in property devoted or to be devoted to public use, and authorized to be financed under the PFC Act. A public facility, including a leasehold estate in a public facility, that is owned by a PFC is exempt from taxation by the State or a municipality or other political subdivision of the State, including the District. This exemption applies to both ad valorem and sales taxes levied by such taxing authorities.

Subject to certain restrictions, a leasehold or other possessory interest granted by the PFC to the user of a PFC-owned multifamily residential development entitles that user to this same exemption. A PFC project approved on or after June 18, 2023, does not qualify for an exemption with respect to taxes imposed by a conservation and reclamation district providing water, sewer, or drainage services to the development, unless an agreement is entered into with the district concerning payments in lieu of taxation. Projects for which PFC or Sponsor approval was received prior to the effective date of H.B. 2071 are governed by the prior law and are not subject to the same requirements.

The HFC Act provides for the formation of housing finance corporations (“HFCs”) by municipalities and counties for the purpose of providing decent, safe, and sanitary housing at affordable prices to residents of local governments. Public property owned by an HFC, including property for which an HFC holds an equitable interest, is exempt from taxes imposed by the state or any political subdivision of the state, including conservation and reclamation districts such as the District, provided certain conditions are met under the HFC Act. This exemption applies to both ad valorem and sales taxes levied by taxing authorities where the qualified project is located. Section 394.904(d) (as added by H.B. 21, 89th Texas Legislature, Regular Session) provides in part that, for property acquired by an HFC after May 28, 2025, such ad valorem tax exemptions do not apply to taxes levied by a conservation or reclamation district created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, that provides water, sewer, or drainage service to the multifamily residential development owned by the HFC, unless the applicable HFC has entered into a written agreement with the district to make a payment to the district in lieu of taxation, in the amount specified in the agreement. Further, property acquired by an HFC prior to May 28, 2025, may become subject to taxation by a conservation and reclamation district in future tax years unless certain additional requirements are met under the HFC Act.

The District has adopted rates for water and sewer services that include amounts equal to the lost ad valorem tax received for multifamily properties that are converted to tax exempt status. Currently, both The Sugar Creek Apartments and Village on the Park Steeplechase are subject to and paying such rates.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (i) cumbersome, time-consuming, and expensive collection procedures, (ii) a bankruptcy court's stay of tax collection procedures against a taxpayer, (iii) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (iv) the taxpayer's right to redeem the property within two years of foreclosure. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. Even if Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Registered Owners' Remedies."

The District may not be placed into bankruptcy involuntarily.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

The District has \$11,265,000 remaining authorized but unissued bonds for waterworks, wastewater, and drainage facilities, \$45,920,432.60 authorized but unissued refunding bonds, and \$455,000 remaining authorized but unissued bonds for recreational facilities (see "THE BONDS - Issuance of Additional Debt"). The District has the right to issue the remaining authorized bonds for waterworks, wastewater, and drainage facilities, the remaining authorized but unissued refunding bonds, the remaining authorized but unissued bonds for recreational facilities and such additional bonds as may hereafter be approved by both the Board and voters of the District. The issuance of such \$11,265,000 bonds for waterworks, wastewater and drainage facilities and \$455,000 bonds for recreational facilities is also subject to TCEQ authorization. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS - Issuance of Additional Debt."

Increase in Costs of Building Materials

As a result of supply issues, shipping constraints, and ongoing trade disputes (including tariffs), there have been recent substantial increases in the cost of lumber and other building materials, causing many homebuilders and general contractors to experience budget overruns. Further, the unpredictable nature of current trade policy (including the threatened imposition of tariffs) may impact the ability of developers or builders in the District to estimate costs. Additionally, immigration policies may affect the State's workforce, and any labor shortages that could occur may impact the rate of construction within the District. Uncertainty surrounding availability and cost of materials may result in decreased levels of construction activity, and may restrict the growth of property values in the District. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of developers or builders in the District.

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX EXEMPTION – Other Tax Matters."

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, or the adequacy or accuracy of the information contained in this Official Statement.

Environmental Regulations

Wastewater treatment, water supply, storm sewer facilities and construction activities within the District are subject to complex environmental laws and regulations at the federal, state and local levels that may require or prohibit certain activities that affect the environment, such as:

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;
- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under two separate federal ozone standards: the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone

Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

The HGB Area is currently designated as a “severe” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a “serious” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2027. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the HGB Area’s economic growth and development.

Water Supply & Discharge Issues. Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the HGB Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) (the “CGP”), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must

comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

The District's stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the "Current Permit") issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District's inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the "waters of the United States." The District must obtain a permit from the United States Army Corps of Engineers ("USACE") if operations of the District require that wetlands be filled, dredged, or otherwise altered.

In 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of "waters of the United States" and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, "waters of the United States" includes only geographical features that are described in ordinary parlance as "streams, oceans, rivers, and lakes" and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. Subsequently, the EPA and USACE issued a final rule amending the definition of "waters of the United States" under the CWA to conform with the Supreme Court's decision.

While the *Sackett* decision and subsequent regulatory action removed a great deal of uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

Extreme Weather Events

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. "500 year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the District's Operator, the District's System did not sustain any material damage and there was no interruption of water and sewer service. Further, according to the District's Operator and Engineer, after investigation, although the District experienced street flooding, there was no apparent material wind or water damage to homes or commercial improvements within the District.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

Potential Effects of Oil Price Volatility on the Houston Area

The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or construction activity within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

Future and Proposed Legislation

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

Continuing Compliance with Certain Covenants

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

LEGAL MATTERS

Legal Proceedings

The District will furnish the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds. Such transcript will include a copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable from the levy of ad valorem taxes without limitation as to rate or amount. The District will also furnish the legal opinion of The The Muller Law Group, PLLC, Sugar Land, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Texas Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, against taxable property within the District and that interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes as further described in "TAX EXEMPTION."

In its capacity as Bond Counsel, The The Muller Law Group, PLLC, has reviewed the information appearing in this Official Statement under the captions "THE BONDS," "THE DISTRICT - Authority," and - "Management of the District - Bond Counsel and General Counsel," "TAXING PROCEDURES," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the procedures, law and documents referred to therein and conforms to the requirements of applicable laws and ordinances of the City of Houston with regard to the sale of the Bonds. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has Bond Counsel conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of the information contained in this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinions of any kind with regard to, the accuracy or completeness of any of the other factual information contained herein.

No Arbitrage

The District will certify on the date the Bonds are delivered and paid for that based upon all facts and estimates now known or reasonably expected to be in existence, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be “arbitrage bonds” under Section 148 of the Internal Revenue Code of 1986 (the “Code”) and the regulations prescribed from time to time thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District have been authorized to certify to the facts, circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District will covenant in the Bond Resolution that it will make such use of the proceeds of the Bonds, regulate investments of proceeds of the Bonds and take such other and further actions and follow such procedures, including without limitation, calculation of the yield on the Bonds, as may be required so that the Bonds will not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Preliminary Official Statement. If the Initial Purchaser elects to purchase municipal bond guaranty insurance on the Bonds, the rating of the insurer’s creditworthiness by any rating agency does not and will not in any manner affect the District’s financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District’s financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the Date of Delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or non-encumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX EXEMPTION

Opinion of Bond Counsel

In the opinion of Bond Counsel, under current law, interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. No other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

Bond Counsel’s opinion is given in reliance upon certifications by representatives of the District as to certain facts relevant to both the opinion and requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The District has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds. Failure by the District to comply with such covenants, among other things, could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue.

Customary practice in the giving of legal opinions includes not detailing in the opinion all the assumptions, limitations and exclusions that are a part of the conclusions therein. See “*Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions*”, 63 Bus. Law. 1277 (2008) and “Legal Opinion Principles”, 53 Bus. Law. 831 (May 1998). Purchasers of the Bonds should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Bonds.

Bond Counsel’s opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is not a guarantee of result or binding on the Internal Revenue Service (the “Service”) or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel’s attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.”

Alternative Minimum Tax

Individuals – Bond Counsel’s opinion states that under current law interest on the Bonds is not an item of preference and is not subject to the alternative minimum tax on individuals.

Applicable Corporations – Bond Counsel’s opinion also states that under current law interest on the Bonds is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. Under current law, an “applicable corporation” generally is a corporation with average annual adjusted financial statement income for a 3-taxable-year period ending after December 31, 2021 that exceeds \$1 billion.

Other Tax Matters

The Bonds will be designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state, local, or foreign jurisdiction.

The Service has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the District as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

There are many events that could affect the value and liquidity or marketability of the Bonds after their issuance, including but not limited to public knowledge of an audit of the Bonds by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, federal or state legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Bonds who purchase Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations and purchasers of the Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Bonds.

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

Some of the Bonds may be sold at initial sale prices that are less than their respective stated redemption prices payable at maturity (collectively, the “Discount Bonds”). The excess of (i) the stated redemption price at maturity of each maturity of the Discount Bonds, over (ii) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the Discount Bonds is sold will constitute original issue discount. Original issue discount will accrue for federal income tax purposes on a constant-yield-to-maturity method based on regular compounding; and a holder’s basis in such a Bond will be increased by the amount of original issue discount treated for federal income tax purposes as having accrued on the Bond while the holder holds the Bond.

Under the Code, for purposes of determining a holder’s adjusted basis in a Discount Bond, original issue discount treated as having accrued while the holder holds the Bond will be added to the holder’s basis. Original issue discount will accrue on a constant-yield-to-maturity method based on semiannual compounding. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of a Discount Bond.

Prospective purchasers of Discount Bonds should consult their own tax advisors as to the calculation of accrued original issue discount and the state and local tax consequences of owning or disposing of such Bonds.

Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder’s basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District’s records, the Engineer, the Tax Assessor/Collector, and other sources believed to be reliable; however, no representation is made by the District as to the accuracy or completeness of the information contained herein, except as described below under “Certification as to Official Statement.” The summaries of the statutes, resolutions, and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The District’s financial statements for the fiscal year ended September 30, 2025, were audited by McGrath & Co., PLLC, and have been included herein as “APPENDIX B.”

Experts

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled “THE DISTRICT” and “THE SYSTEM” has been provided by Sherrington-Humble, LLC and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned “DISTRICT DEBT” and “TAX DATA” was provided by Bob Leared Interests, and the Appraisal District. Such information has been included herein in reliance upon Bob Leared Interests’s authority as an expert in the field of tax collection and the Appraisal District’s authority as an expert in the field of tax assessing.

Certification as to Official Statement

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

Updating of Official Statement

If, subsequent to the date of the Official Statement, to and including the date the Underwriters are no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the “SEC”), the District learns, or is notified by the Underwriters, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriters elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriters an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriters; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the “end of the underwriting period” as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the “end of the underwriting period.”

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (“MSRB”) through the MSRB’s Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DISTRICT DEBT” and “TAX DATA” and in “APPENDIX B” (the Audit). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2026.

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

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB through its EMMA system at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the SEC Rule 15c2-12, taking into account any amendments or interpretations of such Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair

the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of such Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

During the past five years, the District has complied in all material respects with all its prior continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

Official Statement “Deemed Final”

For purposes of compliance with SEC Rule 15c2-12, this document, as the same may be supplemented or corrected by the District from time to time, may be treated as an “official statement” with respect to the Bonds described herein “deemed final” by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

This document, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a “final official statement” of the District with respect to the Bonds, as that term is defined in SEC Rule 15c2-12.

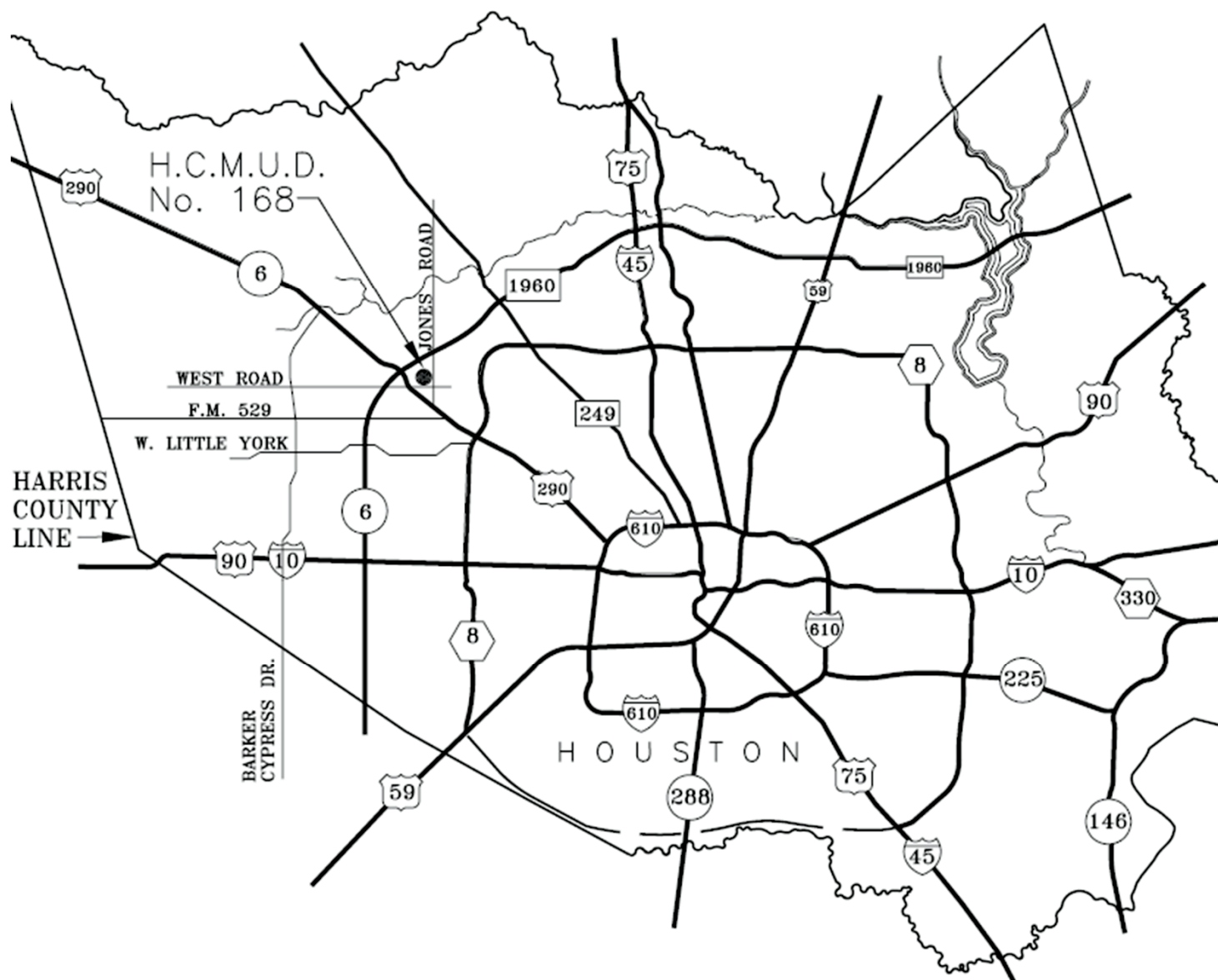
This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 168 as of the date shown on the first page hereof.

President, Board of Directors
Harris County Municipal
Utility District No. 168

ATTEST:

Secretary, Board of Directors
Harris County Municipal
Utility District No. 168

APPENDIX A
LOCATION MAP



APPENDIX B

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 168

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

SEPTEMBER 30, 2025

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 168**

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2025

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Funds Balance Sheet		16
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		18
Notes to Financial Statements		21
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		36
Notes to Required Supplementary Information		37
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	40
General Fund Expenditures	TSI-2	42
Investments	TSI-3	43
Taxes Levied and Receivable	TSI-4	44
Long-Term Debt Service Requirements by Years	TSI-5	45
Change in Long-Term Bonded Debt	TSI-6	49
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	50
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	52
Board Members, Key Personnel and Consultants	TSI-8	54

McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors

Harris County Municipal Utility District No. 168

Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 168 (the "District"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris County Municipal Utility District No. 168, as of September 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied

***Board of Directors
Harris County Municipal Utility District No. 168
Harris County, Texas***

certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

McGuire & Co, P.C.

Houston, Texas
January 13, 2026

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Management's Discussion and Analysis

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Using this Annual Report

This section of the financial report of Harris County Municipal Utility District No. 168 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2025. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

***Harris County Municipal Utility District No. 168
Management's Discussion and Analysis
September 30, 2025***

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at September 30, 2025, was \$24,219,855. A comparative summary of the District's overall financial position, as of September 30, 2025 and 2024, is as follows:

	2025	2024
Current and other assets	\$ 18,051,010	\$ 18,036,784
Capital assets	16,860,547	17,379,565
Total assets	34,911,557	35,416,349
Current liabilities	2,844,502	2,788,825
Long-term liabilities	7,847,200	9,542,750
Total liabilities	10,691,702	12,331,575
Net position		
Net investment in capital assets	8,667,653	7,662,419
Restricted	1,717,799	1,670,537
Unrestricted	13,834,403	13,751,818
Total net position	\$ 24,219,855	\$ 23,084,774

***Harris County Municipal Utility District No. 168
Management's Discussion and Analysis
September 30, 2025***

The total net position of the District increased during the current fiscal year by \$1,135,081. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2025	2024
Revenues		
Water and sewer service	\$ 2,053,503	\$ 2,068,526
Property taxes, penalties and interest	2,840,958	2,892,025
Regional water authority fees	923,838	873,342
Other	1,028,841	1,078,472
Total revenues	<u>6,847,140</u>	<u>6,912,365</u>
Expenses		
Current service operations	4,558,025	4,124,023
Debt interest and fees	291,297	331,446
Depreciation	862,737	864,595
Total expenses	<u>5,712,059</u>	<u>5,320,064</u>
Change in net position	1,135,081	1,592,301
Net position, beginning of year	23,084,774	21,492,473
Net position, end of year	<u><u>\$ 24,219,855</u></u>	<u><u>\$ 23,084,774</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2025, were \$13,638,154, which consists of \$10,603,271 in the General Fund, \$1,680,577 in the Debt Service Fund and \$1,354,306 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of September 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	<u><u>\$ 11,752,738</u></u>	<u><u>\$ 11,437,863</u></u>
Total liabilities	\$ 1,072,201	\$ 1,056,967
Total deferred inflows	77,266	35,500
Total fund balance	<u>10,603,271</u>	<u>10,345,396</u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 11,752,738</u></u>	<u><u>\$ 11,437,863</u></u>

***Harris County Municipal Utility District No. 168
Management's Discussion and Analysis
September 30, 2025***

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2025	2024
Total revenues	\$ 4,923,639	\$ 5,009,023
Total expenditures	(4,665,764)	(4,058,739)
Revenues over expenditures	257,875	950,284
Other changes in fund balance		(499,930)
Net change in fund balance	\$ 257,875	\$ 450,354

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, City of Houston sales tax rebates and the provision of water and sewer services to customers within the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While assessed values in the District increased from the prior year, property tax revenues decreased because the District decreased the maintenance component of the levy.
- Water, sewer and regional water authority fees revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Sales tax rebates received from the City of Houston under a Strategic Partnership Agreement are dependent on consumer spending at retail stores located within the District's boundaries and will fluctuate from year to year.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of September 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	\$ 1,778,957	\$ 1,761,658
Total liabilities	\$ 41,292	\$ 67,875
Total deferred inflows	57,088	48,189
Total fund balance	1,680,577	1,645,594
Total liabilities, deferred inflows and fund balance	\$ 1,778,957	\$ 1,761,658

***Harris County Municipal Utility District No. 168
Management's Discussion and Analysis
September 30, 2025***

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	2025	2024
Total revenues	\$ 2,024,584	\$ 2,025,627
Total expenditures	(1,989,601)	(1,979,984)
Revenues over expenditures	<u>\$ 34,983</u>	<u>\$ 45,643</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of September 30, 2025 and 2024, is as follows:

	2025	2024
Total assets	<u>\$ 1,365,449</u>	<u>\$ 1,466,341</u>
Total liabilities	\$ 11,143	\$ 737
Total fund balance	<u>1,354,306</u>	<u>1,465,604</u>
Total liabilities and fund balance	<u>\$ 1,365,449</u>	<u>\$ 1,466,341</u>

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2025	2024
Total revenues	\$ 65,306	\$ 240,737
Total expenditures	(176,604)	(343,811)
Revenues under expenditures	(111,298)	(103,074)
Other changes in fund balance		499,930
Net change in fund balance	<u>\$ (111,298)</u>	<u>\$ 396,856</u>

The District did not have any significant capital asset activity in the current year. During the previous fiscal year, capital asset activity was financed with funds transferred from the General Fund.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Harris County Municipal Utility District No. 168
Management's Discussion and Analysis
September 30, 2025

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$457,756 less than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

Capital Assets

Capital assets held by the District at September 30, 2025 and 2024, are summarized as follows:

	2025	2024
Capital assets not being depreciated		
Land and improvements	\$ 42,000	\$ 42,000
Construction in progress	176,244	
	<u>218,244</u>	<u>42,000</u>
Capital assets being depreciated		
Infrastructure	18,181,501	18,076,501
Interest in joint facilities	7,700,104	7,700,104
Other facilities	5,378,180	5,315,705
	<u>31,259,785</u>	<u>31,092,310</u>
Less accumulated depreciation		
Infrastructure	(9,261,794)	(8,801,731)
Interest in joint facilities	(3,399,438)	(3,265,674)
Other facilities	(1,956,250)	(1,687,340)
	<u>(14,617,482)</u>	<u>(13,754,745)</u>
Depreciable capital assets, net	<u>16,642,303</u>	<u>17,337,565</u>
Capital assets, net	<u>\$ 16,860,547</u>	<u>\$ 17,379,565</u>

Capital asset additions during the current fiscal year consisted of Water Plant No. 3 recoating and Churchill Park irrigation system additions.

The District's construction in progress is for engineering and design fees for Water Plant No. 1 rehabilitation.

Long-Term Debt

At September 30, 2025 and 2024, the District had total bonded debt outstanding as shown below:

Series	2025	2024
2014	\$ 3,125,000	\$ 3,800,000
2017	4,040,000	5,005,000
2020 Park	2,400,000	2,400,000
	<u>\$ 9,565,000</u>	<u>\$ 11,205,000</u>

Harris County Municipal Utility District No. 168
Management's Discussion and Analysis
September 30, 2025

At September 30, 2025, the District had \$17,890,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$455,000 for parks and recreational facilities and \$45,920,433 for refunding purposes.

Property Taxes

The District's property tax base decreased approximately \$16,885,000 for the 2025 tax year from \$739,815,204 to \$722,930,321. The District has an additional \$60,700,000 in uncertified values. For the 2025 tax year, the District has levied a maintenance tax rate of \$0.11 per \$100 of assessed value and a debt service tax rate of \$0.27 per \$100 of assessed value, for a total combined tax rate of \$0.38 per \$100 of assessed value. Tax rates for the 2024 tax year were \$0.12 per \$100 for maintenance and operations and \$0.26 per \$100 for debt service for a combined total of \$0.38 per \$100 of assessed value.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next fiscal year's budget to current fiscal year actual amounts for the General Fund is as follows:

	2025 Actual	2026 Budget
Total revenues	\$ 4,923,639	\$ 4,705,634
Total expenditures	(4,665,764)	(3,890,405)
Revenues over expenditures	257,875	815,229
Beginning fund balance	10,345,396	10,603,271
Ending fund balance	<u>\$ 10,603,271</u>	<u>\$ 11,418,500</u>

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Basic Financial Statements

Harris County Municipal Utility District No. 168
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Assets				
Cash	\$ 221,680	\$ 151,972	\$ 6,483	\$ 380,135
Investments	10,511,161	1,580,392	1,358,966	13,450,519
Taxes receivable, net	14,855	57,088		71,943
Customer service receivables	454,050			454,050
Internal balances	10,495	(10,495)		
Due from City of Houston	85,183			85,183
Prepaid items	67,090			67,090
Capital contributions				
Operating Reserve - Wastewater Treatment Plant	388,224			388,224
Capital assets not being depreciated				
Capital assets, net				
Total Assets	<u>\$ 11,752,738</u>	<u>\$ 1,778,957</u>	<u>\$ 1,365,449</u>	<u>\$ 14,897,144</u>
Liabilities				
Accounts payable	\$ 571,191	\$ 552	\$ 11,143	\$ 582,886
Other payables	6,799	40,740		47,539
Customer deposits	494,211			494,211
Accrued interest payable				
Long-term debt				
Due within one year				
Due after one year				
Total Liabilities	<u>1,072,201</u>	<u>41,292</u>	<u>11,143</u>	<u>1,124,636</u>
Deferred Inflows of Resources				
Deferred property taxes	14,855	57,088		71,943
Deferred City of Houston sales taxes	62,411			62,411
	<u>77,266</u>	<u>57,088</u>		<u>134,354</u>
Fund Balances/Net Position				
Fund Balances				
Nonspendable	455,314			455,314
Restricted		1,680,577	1,354,306	3,034,883
Unassigned	10,147,957			10,147,957
Total Fund Balances	<u>10,603,271</u>	<u>1,680,577</u>	<u>1,354,306</u>	<u>13,638,154</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,752,738</u>	<u>\$ 1,778,957</u>	<u>\$ 1,365,449</u>	<u>\$ 14,897,144</u>
Net Position				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See notes to basic financial statements.

Adjustments	Statement of Net Position
\$ -	\$ 380,135
	13,450,519
	71,943
	454,050
	85,183
	67,090
3,153,866	3,153,866
	388,224
218,244	218,244
16,642,303	16,642,303
20,014,413	34,911,557
	582,886
	47,539
	494,211
19,866	19,866
1,700,000	1,700,000
7,847,200	7,847,200
9,567,066	10,691,702
(71,943)	
(62,411)	
(134,354)	
(455,314)	
(3,034,883)	
(10,147,957)	
(13,638,154)	
8,667,653	8,667,653
1,717,799	1,717,799
13,834,403	13,834,403
\$ 24,219,855	\$ 24,219,855

Harris County Municipal Utility District No. 168**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2025**

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues				
Water service	\$ 957,722	\$ -	\$ -	\$ 957,722
Sewer service	1,095,781			1,095,781
Property taxes	871,676	1,890,548		2,762,224
Penalties and interest	49,509	18,438		67,947
Tap connection and inspection	61,945			61,945
Regional water authority fees	923,838			923,838
City of Houston sales tax	298,123			298,123
Miscellaneous	9,800	30		9,830
Interest	655,245	115,568	65,306	836,119
Total Revenues	4,923,639	2,024,584	65,306	7,013,529
Expenditures/Expenses				
Current service operations				
Purchased services	1,079,852			1,079,852
Professional fees	214,867			214,867
Contracted services	1,066,124	51,912		1,118,036
Repairs and maintenance	1,025,831			1,025,831
Utilities	156,434			156,434
Regional water authority fees	726,175			726,175
Administrative	159,899	7,464	360	167,723
Other	69,107			69,107
Capital outlay	167,475		176,244	343,719
Debt service				
Principal		1,640,000		1,640,000
Interest and fees		290,225		290,225
Depreciation				
Total Expenditures/Expenses	4,665,764	1,989,601	176,604	6,831,969
Revenues Over/(Under) Expenditures	257,875	34,983	(111,298)	181,560
Change in Net Position				
Fund Balance/Net Position				
Beginning of the year	10,345,396	1,645,594	1,465,604	13,456,594
End of the year	<u>\$ 10,603,271</u>	<u>\$ 1,680,577</u>	<u>\$ 1,354,306</u>	<u>\$ 13,638,154</u>

See notes to basic financial statements.

Adjustments	Statement of Activities
\$ -	\$ 957,722
	1,095,781
6,345	2,768,569
4,442	72,389
	61,945
	923,838
39,879	338,002
	9,830
(217,055)	619,064
<u>(166,389)</u>	<u>6,847,140</u>
	1,079,852
	214,867
	1,118,036
	1,025,831
	156,434
	726,175
	167,723
	69,107
(343,719)	
(1,640,000)	
1,072	291,297
<u>862,737</u>	<u>862,737</u>
<u>(1,119,910)</u>	<u>5,712,059</u>
(181,560)	
1,135,081	1,135,081
9,628,180	23,084,774
<u>\$ 10,581,701</u>	<u>\$ 24,219,855</u>

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Municipal Utility District No. 168 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Water Commission, statutory predecessor to the Texas Commission on Environmental Quality, dated March 13, 1979, and operates in accordance with the Texas Water Code, Chapters 49 and 54. On November 3, 1981, the voters of Harris County Municipal Utility District No. 168 and the adjoining Harris County Municipal Utility District No. 169 voted to consolidate the two districts. The consolidated district is known as Harris County Municipal Utility District No. 168. The Board of Directors held its first meeting on April 7, 1979 and the first bonds were issued in 1982.

The District’s primary activities include construction, maintenance and operation of water, sewer, drainage and recreational facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have

many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes, City of Houston sales tax rebates and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer, drainage, and park and recreational facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

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

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments City of Houston sales tax rebates, and income from District operations. Property taxes and City of Houston sales tax rebates receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2025, an allowance of \$49,028 was provided for possible uncollectible property taxes. An allowance for uncollectible water/sewer accounts was not considered necessary.

Unbilled Service Revenues

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is \$50,000. The threshold for subscription-based information technology arrangements (SBITAs) is \$250,000.

Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Harris County Municipal Utility District No. 168
Notes to Financial Statements
September 30, 2025

Depreciable capital assets, which primarily consist of water, wastewater and recreational facilities, are depreciated using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	10-45 years
Interest in joint facilities	10-45 years
Other facilities	20 years

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable and City of Houston sales tax rebates receivable that are not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District’s nonspendable fund balance consists of prepaid items and operating reserves paid to Harris County Municipal Utility District No. 170 for the joint Steeplechase regional wastewater treatment plant.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

Harris County Municipal Utility District No. 168
Notes to Financial Statements
September 30, 2025

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned - all other spendable amounts in the General Fund.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the value of unbilled utility revenues and receivables and the useful lives and impairment of capital assets. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Harris County Municipal Utility District No. 168
Notes to Financial Statements
September 30, 2025

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds		\$ 13,638,154
Capital contributions paid to North Harris County Regional Water Authority are not reported as an asset at the fund level.		3,153,866
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 31,478,029	
Less accumulated depreciation	<u>(14,617,482)</u>	16,860,547
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Accrued interest payable	(19,866)	
Bonds payable, net	<u>(9,547,200)</u>	(9,567,066)
Deferred inflows in the fund statements consist of receivables that are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.		
Property taxes and related penalties and interest	71,943	
City of Houston sales taxes rebates	<u>62,411</u>	134,354
Total net position - governmental activities		<u><u>\$ 24,219,855</u></u>

Harris County Municipal Utility District No. 168
Notes to Financial Statements
September 30, 2025

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

Net change in fund balances - total governmental funds	\$	181,560
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Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for the following:

Property taxes and related penalties and interest	\$	10,787	
City of Houston sales taxes rebates		39,879	
			50,666

The credit received from North Harris County Regional Water Authority as a result of capital contributions paid by the District has both a principal and an interest component. The full credit is reported as interest revenue in the funds. At the government wide level, the principal component reduces the balance of the credit, with the remaining amount reported as interest revenue.

(217,055)

Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:

Capital outlays		343,719	
Depreciation expense		(862,737)	
			(519,018)

Financial reporting for long-term obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as liabilities are acquired and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:

Principal payments - bonds		1,640,000	
Interest expense accrual		(1,072)	
			1,638,928

Change in net position of governmental activities	\$	1,135,081
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Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or 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, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of September 30, 2025, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool Prime	General	\$ 10,511,161	AAAm	51 days
	Debt Service	1,580,392		
	Capital Projects	1,358,966		
Total		<u>\$ 13,450,519</u>		

TexPool Prime

The District participates in TexPool Prime, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool Prime, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in Texpool Prime and other persons who do not have a business relationship with TexPool Prime. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool Prime use amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seek to maintain a constant dollar value per share. Accordingly, the fair value of the Authority's position in each pool is the same as the value of TexPool Prime shares. Investments in TexPool Prime may be withdrawn via wire transfer on a same day basis, is initiated by 2 p.m. ACH withdrawals made by 2 p.m. will settle on the business day following the date the transaction was initiated.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at September 30, 2025, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 10,495	Maintenance tax collections not remitted as of year end

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Harris County Municipal Utility District No. 168
Notes to Financial Statements
September 30, 2025

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended September 30, 2025, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 42,000	\$ -	\$ 42,000
Construction in progress		176,244	176,244
	<u>42,000</u>	<u>176,244</u>	<u>218,244</u>
Capital assets being depreciated			
Infrastructure	18,076,501	105,000	18,181,501
Interest in joint facilities	7,700,104		7,700,104
Other facilities	5,315,705	62,475	5,378,180
	<u>31,092,310</u>	<u>167,475</u>	<u>31,259,785</u>
Less accumulated depreciation			
Infrastructure	(8,801,731)	(460,063)	(9,261,794)
Interest in joint facilities	(3,265,674)	(133,764)	(3,399,438)
Other facilities	(1,687,340)	(268,910)	(1,956,250)
	<u>(13,754,745)</u>	<u>(862,737)</u>	<u>(14,617,482)</u>
Subtotal depreciable capital assets, net	<u>17,337,565</u>	<u>(695,262)</u>	<u>16,642,303</u>
Capital assets, net	<u>\$ 17,379,565</u>	<u>\$ (519,018)</u>	<u>\$ 16,860,547</u>

Depreciation expense for the current fiscal year was \$862,737.

Note 6 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 9,565,000
Unamortized discounts	<u>(17,800)</u>
	<u>\$ 9,547,200</u>
Due within one year	<u>\$ 1,700,000</u>

Harris County Municipal Utility District No. 168
Notes to Financial Statements
September 30, 2025

The District's bonds payable at September 30, 2025, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2014	\$ 3,125,000	\$ 4,450,000	3.00%	September 1, 2024/2029	March 1, September 1	September 1, 2021
2017	4,040,000	8,000,000	2.00% - 2.75%	September 1, 2019/2029	March 1, September 1	September 1, 2024
2020 Park	2,400,000	2,400,000	2.00%	September 1, 2030/2031	March 1, September 1	September 1, 2025
	<u>\$ 9,565,000</u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At September 30, 2025, the District had authorized but unissued bonds in the amount of \$17,890,000 for water, sewer and drainage facilities; \$455,000 for park and recreational facilities; and \$45,920,433 for refunding purposes.

The change in the District's long-term debt during the year is as follows:

Bonds payable, beginning of year	\$ 11,205,000
Bonds retired	(1,640,000)
Bonds payable, end of year	<u>\$ 9,565,000</u>

As of September 30, 2025, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2026	\$ 1,700,000	\$ 246,613	\$ 1,946,613
2027	1,760,000	200,488	1,960,488
2028	1,820,000	152,737	1,972,737
2029	1,885,000	101,962	1,986,962
2030	1,200,000	48,000	1,248,000
2031	1,200,000	24,000	1,224,000
	<u>\$ 9,565,000</u>	<u>\$ 773,800</u>	<u>\$ 10,338,800</u>

Note 7 – Property Taxes

On April 7, 1979, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$0.25 per \$100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Harris Central Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District's 2025 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of \$0.38 per \$100 of assessed value, of which \$0.12 was allocated to maintenance and operations and \$0.26 was allocated to debt service. The resulting tax levy was \$2,811,298 on the adjusted taxable value of \$739,815,204.

Net property taxes receivable, at September 30, 2025, consisted of the following:

Current year taxes receivable	\$ 15,628
Prior years taxes receivable	81,133
Less allowance for uncollectible accounts	<u>(49,028)</u>
	47,733
Penalty and interest receivable	<u>24,210</u>
Net property taxes receivable	<u><u>\$ 71,943</u></u>

Note 8 – Strategic Partnership Agreement

On May 8, 2012, the District and the City of Houston (the "City") entered into a Strategic Partnership Agreement under which the City annexed the District for the limited purposes of applying the City's Planning, Zoning, Health and Safety Ordinances within the District. The District continues to exercise all powers and functions of a municipal utility district. As consideration for the District providing services described in the agreement, the City agreed to remit 50% of a 1% sale and use tax collected from retailers located in the District's boundaries. The City agrees that it will not annex all or part of the District during the thirty-year term of this agreement. Receivables in the amount of \$62,411 have been included in Due from City of Houston and are recorded as deferred inflows of resources on the Governmental Funds Balance Sheet. This amount does not meet the availability criteria required for revenue recognition at the fund level and will be recognized as revenue in 2026. During the fiscal year ended September 30, 2025, the District recorded \$338,002 in revenues in accordance with the agreement.

Note 9 – Steeplechase Regional Wastewater Treatment Plant

On November 4, 1980, the District entered into a contract (the "Contract"), which has subsequently been amended, with Harris County Municipal Utility District No. 170 (the "District No. 170") for the construction, operation and maintenance of the Steeplechase regional wastewater treatment facility. District No. 170 manages and operates the facilities and holds title for the benefit of the participants.

Construction Costs

Construction of, and additions to, the plant facilities are to be shared on a pro rata basis determined by the capacity each district acquires. The present plant capacity owned by each district is as follows:

Participants	Million Gallons per Day	Percentage
The District	1,900,000	76%
District No. 170	600,000	24%
Totals	2,500,000	100%

Operating Charges

The districts are billed for operating charges on a monthly basis. The monthly billing to each district consists of a fixed rate of \$1.50 per 1,000 gallons of capacity in the plant and a variable rate of \$3.05447 per 1,000 gallons of water sold to customers receiving sewage treatment service. During the current fiscal year, the District was billed \$1,079,852. As of September 30, 2025, the District's operating reserve (i.e., share of accumulated undistributed excess revenues and reserves) was \$388,224.

Note 10 – North Harris County Regional Water Authority

The District is within the boundaries of the North Harris County Regional Water Authority (the "Authority"), which was created by the House Bill 2965, Acts of the 76th Legislature, Regular Session 1999, and was confirmed by an election held on January 15, 2000. The Authority is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Coastal Subsidence District, which regulates groundwater withdrawal. During the current fiscal year, the Authority billed the District \$2.60 per 1,000 gallons of water pumped from its wells. This amount is subject to future increases.

In 2003, the District entered into a Capital Contribution Agreement (the "Agreement") with the Authority. The Agreement required the District to make a capital contribution to the Authority of \$2,349,673. The District will receive repayment through credits for District pumpage fees and water payments as they become due each year. In addition, any amounts owed to the District that remain after the credits will be paid to the District. These repayments accrue interest at 5.0575% percent per year and will be repaid with annual payments through 2033. Current year interest earned on the contribution was \$61,398 and a reduction of principal in the amount of \$109,838 was recognized.

Harris County Municipal Utility District No. 168
Notes to Financial Statements
September 30, 2025

On August 4, 2008, the District entered into a second capital contribution agreement (the "Second Agreement") with the Authority. The Second Agreement required the District to make a capital contribution to the Authority of \$3,030,201. The District will receive repayment through credits for District pumpage fees and water payments as they become due each year. In addition, any amounts owed to the District that remains after the credits will be paid to the District. These repayments accrue interest at 5.3755% percent per year and will be repaid with annual payments 2038. Current year interest earned on the contribution was \$115,944 and a reduction of principal in the amount of \$107,218 was recognized.

At September 30, 2025, future annual repayments are as follows:

Year	2003 Capital Contribution	2008 Capital Contribution	Total
2026	\$ 171,236	\$ 223,162	\$ 394,398
2027	171,236	223,162	394,398
2028	171,236	223,162	394,398
2029	171,237	223,162	394,399
2030	171,237	223,162	394,399
2031	171,237	223,162	394,399
2032	171,237	223,162	394,399
2033	171,237	223,163	394,400
2034		223,163	223,163
2035		223,163	223,163
2036		223,163	223,163
2037		223,163	223,163
2038		223,163	223,163
Total payments	\$ 1,369,893	\$ 2,901,112	\$ 4,271,005
Less interest	(265,722)	(851,417)	(1,117,139)
Principal payments	<u>\$ 1,104,171</u>	<u>\$ 2,049,695</u>	<u>\$ 3,153,866</u>

Note 11 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Required Supplementary Information

Harris County Municipal Utility District No. 168

***Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2025***

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 948,000	\$ 957,722	\$ 9,722
Sewer service	1,088,000	1,095,781	7,781
Property taxes	1,028,720	871,676	(157,044)
Penalties and interest	63,000	49,509	(13,491)
Tap connection and inspection	31,715	61,945	30,230
Regional water authority fees	828,624	923,838	95,214
City of Houston sales tax	300,000	298,123	(1,877)
Miscellaneous	11,004	9,800	(1,204)
Investment earnings	504,000	655,245	151,245
Total Revenues	4,803,063	4,923,639	120,576
Expenditures			
Current service operations			
Purchased services	949,967	1,079,852	(129,885)
Professional fees	132,400	214,867	(82,467)
Contracted services	1,077,912	1,066,124	11,788
Repairs and maintenance	865,500	1,025,831	(160,331)
Utilities	113,333	156,434	(43,101)
Regional water authority fees	772,001	726,175	45,826
Administrative	145,959	159,899	(13,940)
Other	30,360	69,107	(38,747)
Capital outlay		167,475	(167,475)
Total Expenditures	4,087,432	4,665,764	(578,332)
Revenues Over Expenditures	715,631	257,875	(457,756)
Fund Balance			
Beginning of the year	10,345,396	10,345,396	
End of the year	\$ 11,061,027	\$ 10,603,271	\$ (457,756)

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Harris County Municipal Utility District No. 168

TSI-1. Services and Rates

September 30, 2025

1. Services provided by the District During the Fiscal Year:

- ☒ Retail Water ☐ Wholesale Water ☒ Solid Waste / Garbage ☐ Drainage
☒ Retail Wastewater ☐ Wholesale Wastewater ☐ Flood Control ☒ Irrigation
☒ Parks / Recreation ☐ Fire Protection ☐ Roads ☒ Security
☒ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
☐ Other (Specify): _____

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels	
Water:	\$ 13.50	5,000	N	\$ 1.25	5,001	to 10,000
				\$ 1.75	10,001	to 15,000
				\$ 2.00	15,001	to 25,000
				\$ 2.50	25,001	to no limit
Wastewater:	\$ 27.00	-0-	Y			
Surcharge:	\$ -	-0-	N	\$ 2.75	1,000	to no limit

District employs winter averaging for wastewater usage? ☐ Yes ☒ No

Total charges per 10,000 gallons usage: Water \$ 47.25 Wastewater \$ 27.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	1,665	1,653	x 1.0	1,653
1"	21	21	x 2.5	53
1.5"	11	11	x 5.0	55
2"	56	56	x 8.0	448
3"			x 15.0	
4"	7	7	x 25.0	175
6"	3	2	x 50.0	100
8"	3	3	x 80.0	240
10"			x 115.0	
Total Water	1,766	1,753		2,724
Total Wastewater	1,710	1,699	x 1.0	1,699

See accompanying auditor's report.

Harris County Municipal Utility District No. 168
TSI-1. Services and Rates
September 30, 2025

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons pumped into system:	<u>362,781,000</u>	Water Accountability Ratio:
Gallons purchased:*	<u>302,000</u>	(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>333,611,000</u>	<u>92.08%</u>
Gallons sold:*	<u>714,000</u>	

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District:

Is the District located entirely within one county? Yes ☒ No ☐

County(ies) in which the District is located: Harris County

Is the District located within a city? Entirely ☐ Partly ☐ Not at all ☒

City(ies) in which the District is located: _____

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely ☒ Partly ☐ Not at all ☐

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes ☐ No ☒

If Yes, by whom? _____

* Purchased from/sold to Harris County Municipal Utility District No. 170

See accompanying auditor's report.

Harris County Municipal Utility District No. 168
TSI-2. General Fund Expenditures
For the Year Ended September 30, 2025

Purchased services	<u>\$ 1,079,852</u>
Professional fees	
Legal	119,518
Audit	20,000
Engineering	75,349
	<u>214,867</u>
Contracted services	
Bookkeeping	42,582
Operator	161,935
Garbage collection	514,052
Inspections	75
Security service	347,480
	<u>1,066,124</u>
Repairs and maintenance	<u>1,025,831</u>
Utilities	<u>156,434</u>
Surface water fees	<u>726,175</u>
Administrative	
Directors fees	20,995
Printing and office supplies	18,745
Insurance	53,508
Other	66,651
	<u>159,899</u>
Other	<u>69,107</u>
Capital outlay	<u>167,475</u>
Total expenditures	<u><u>\$ 4,665,764</u></u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 168
TSI-3. Investments
September 30, 2025

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexPool Prime	Variable	N/A	<u>\$ 10,511,161</u>
Debt Service			
TexPool Prime	Variable	N/A	<u>1,580,392</u>
Capital Projects			
TexPool Prime	Variable	N/A	<u>1,358,966</u>
Total - All Funds			<u><u>\$ 13,450,519</u></u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 168
TSI-4. Taxes Levied and Receivable
September 30, 2025

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 12,968	\$ 28,421	\$ 41,389	
Adjustments to Prior Year Tax Levy	(14,215)	(28,514)	(42,729)	
Adjusted Receivable	(1,247)	(93)	(1,340)	
2024 Original Tax Levy	856,582	1,855,928	2,712,510	
Adjustments	31,196	67,592	98,788	
Adjusted Tax Levy	887,778	1,923,520	2,811,298	
Total to be accounted for	886,531	1,923,427	2,809,958	
Tax collections:				
Current year	882,843	1,912,827	2,795,670	
Prior years	(11,167)	(22,278)	(33,445)	
Total Collections	871,676	1,890,549	2,762,225	
Taxes Receivable, End of Year	\$ 14,855	\$ 32,878	\$ 47,733	
Taxes Receivable, By Years				
2024	\$ 4,935	\$ 10,693	\$ 15,628	
2023	2,675	5,349	8,024	
2022	2,447	4,894	7,341	
2021 and prior	4,798	11,942	16,740	
Taxes Receivable, End of Year	\$ 14,855	\$ 32,878	\$ 47,733	
	2024	2023	2022	2021
Property Valuations:				
Land	\$ 166,905,208	\$ 166,823,147	\$ 146,054,291	\$ 142,805,230
Improvements	593,134,150	605,408,953	555,250,711	451,393,699
Personal Property	29,301,663	26,751,387	26,154,699	23,894,646
Exemptions	(49,525,817)	(76,810,194)	(73,488,391)	(37,664,648)
Total Property Valuations	\$ 739,815,204	\$ 722,173,293	\$ 653,971,310	\$ 580,428,927
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.12	\$ 0.13	\$ 0.14	\$ 0.14
Debt service tax rates	0.26	0.26	0.28	0.31
Total Tax Rates per \$100 Valuation	\$ 0.38	\$ 0.39	\$ 0.42	\$ 0.45
Adjusted Tax Levy:	\$ 2,811,298	\$ 2,816,476	\$ 2,746,680	\$ 2,611,930
Percentage of Taxes Collected to Taxes Levied **	99.44%	99.72%	99.73%	99.84%

* Maximum Maintenance Tax Rate Approved by Voters: \$0.25 on April 7, 1979

** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditor's report.

Harris County Municipal Utility District No. 168
TSI-5. Long-Term Debt Service Requirements
Series 2014--by Years
September 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ 725,000	\$ 93,750	\$ 818,750
2027	750,000	72,000	822,000
2028	800,000	49,500	849,500
2029	850,000	25,500	875,500
	<u>\$ 3,125,000</u>	<u>\$ 240,750</u>	<u>\$ 3,365,750</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 168
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
September 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ 975,000	\$ 104,863	\$ 1,079,863
2027	1,010,000	80,488	1,090,488
2028	1,020,000	55,237	1,075,237
2029	1,035,000	28,462	1,063,462
	<u>\$ 4,040,000</u>	<u>\$ 269,050</u>	<u>\$ 4,309,050</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 168
TSI-5. Long-Term Debt Service Requirements
Series 2020 Park--by Years
September 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ -	\$ 48,000	\$ 48,000
2027		48,000	48,000
2028		48,000	48,000
2029		48,000	48,000
2030	1,200,000	48,000	1,248,000
2031	1,200,000	24,000	1,224,000
	<u>\$ 2,400,000</u>	<u>\$ 264,000</u>	<u>\$ 2,664,000</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 168
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
September 30, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ 1,700,000	\$ 246,613	\$ 1,946,613
2027	1,760,000	200,488	1,960,488
2028	1,820,000	152,737	1,972,737
2029	1,885,000	101,962	1,986,962
2030	1,200,000	48,000	1,248,000
2031	1,200,000	24,000	1,224,000
	<u>\$ 9,565,000</u>	<u>\$ 773,800</u>	<u>\$ 10,338,800</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 168
TSI-6. Change in Long-Term Bonded Debt
September 30, 2025

	Bond Issue			
	Series 2014	Series 2017	Series 2020 Park	Totals
Interest rate	3.00%	2.00% - 2.75%	2.00%	
Dates interest payable	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	
Maturity dates	9/1/24 - 9/1/29	9/1/19 - 9/1/29	9/1/30 - 9/1/31	
Beginning bonds outstanding	\$ 3,800,000	\$ 5,005,000	\$ 2,400,000	\$ 11,205,000
Bonds retired	(675,000)	(965,000)		(1,640,000)
Ending bonds outstanding	<u>\$ 3,125,000</u>	<u>\$ 4,040,000</u>	<u>\$ 2,400,000</u>	<u>\$ 9,565,000</u>
Interest paid during fiscal year	<u>\$ 114,000</u>	<u>\$ 126,575</u>	<u>\$ 48,000</u>	<u>\$ 288,575</u>
Paying agent's name and city All Series	The Bank of New York Trust Company, N.A., Houston, Texas			

	Water, Sewer and Drainage Bonds	Park and Recreational Bonds	Refunding Bonds
Bond Authority:			
Amount Authorized by Voters	\$ 61,780,000	\$ 5,500,000	\$ 49,670,000
Amount Issued	(43,890,000)	(5,045,000)	(3,749,567)
Remaining To Be Issued	<u>\$ 17,890,000</u>	<u>\$ 455,000</u>	<u>\$ 45,920,433</u>

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investments balance as of September 30, 2025: \$ 1,732,364

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,723,133

See accompanying auditor's report.

Harris County Municipal Utility District No. 168

**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years**

	Amounts				
	2025	2024	2023	2022	2021
Revenues					
Water service	\$ 957,722	\$ 995,597	\$ 991,932	\$ 984,012	\$ 880,068
Sewer service	1,095,781	1,072,929	1,085,629	1,080,647	1,063,341
Property taxes	871,676	935,604	920,292	818,183	784,777
Penalties and interest	49,509	59,453	54,326	52,324	48,404
Tap connection and inspection	61,945	30,158	29,385	29,702	29,433
Regional water authority fees	923,838	873,342	1,142,597	1,254,086	1,051,422
City of Houston sales tax	298,123	308,786	511,351	397,843	227,247
Miscellaneous	9,800	11,095	11,912	11,352	4,335
Interest	655,245	722,059	633,294	277,081	225,231
Total Revenues	4,923,639	5,009,023	5,380,718	4,905,230	4,314,258
Expenditures					
Current service operations					
Purchased services	1,079,852	670,812	524,314	649,823	674,403
Professional fees	214,867	143,016	132,656	129,978	116,880
Contracted services	1,066,124	1,028,533	955,538	895,872	799,682
Repairs and maintenance	1,025,831	816,381	657,617	1,088,347	540,469
Utilities	156,434	155,731	156,821	126,542	121,367
Regional water authority fees	726,175	1,064,811	1,370,083	1,510,664	1,236,531
Administrative	159,899	132,150	118,489	118,067	103,599
Other	69,107	47,305	31,080	31,892	23,998
Capital outlay	167,475		436,699		
Total Expenditures	4,665,764	4,058,739	4,383,297	4,551,185	3,616,929
Revenues Over Expenditures	257,875	950,284	997,421	354,045	697,329
Other Financing Uses					
Internal transfers		(499,930)			
Other Items					
Insurance proceeds				304,231	
Net Change in Fund Balance	257,875	450,354	997,421	658,276	697,329
Fund Balance, Beginning of the year	10,345,396	9,895,042	8,897,621	8,239,345	7,542,016
End of the year	\$ 10,603,271	\$ 10,345,396	\$ 9,895,042	\$ 8,897,621	\$ 8,239,345
 Total Active Retail Water Connections	 1,753	 1,755	 1,752	 1,747	 1,746
 Total Active Retail Wastewater Connections	 1,699	 1,700	 1,700	 1,693	 1,692

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
19%	20%	18%	20%	20%
23%	22%	20%	21%	26%
18%	19%	17%	17%	18%
1%	1%	1%	1%	1%
1%	1%	1%	1%	1%
19%	17%	21%	26%	24%
6%	6%	10%	8%	5%
*	*	*	*	*
13%	14%	12%	6%	5%
100%	100%	100%	100%	100%
22%	13%	10%	13%	16%
4%	3%	2%	3%	3%
22%	21%	18%	18%	19%
21%	16%	12%	22%	13%
3%	3%	3%	3%	3%
15%	21%	25%	31%	29%
3%	3%	2%	2%	2%
1%	1%	1%	1%	1%
3%		8%		
94%	81%	81%	93%	86%
6%	19%	19%	7%	14%

Harris County Municipal Utility District No. 168

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2025	2024	2023	2022	2021
Revenues					
Property taxes	\$ 1,890,548	\$ 1,871,083	\$ 1,832,925	\$ 1,797,999	\$ 1,859,034
Penalties and interest	18,438	16,513	22,769	29,785	16,489
Miscellaneous	30				
Investment earnings	115,568	138,031	119,439	20,968	2,521
Total Revenues	<u>2,024,584</u>	<u>2,025,627</u>	<u>1,975,133</u>	<u>1,848,752</u>	<u>1,878,044</u>
Expenditures					
Tax collection services	59,376	64,909	57,366	60,556	55,002
Debt service					
Principal	1,640,000	1,585,000	1,535,000	1,490,000	1,450,000
Interest and fees	290,225	330,075	364,350	397,275	427,120
Total Expenditures	<u>1,989,601</u>	<u>1,979,984</u>	<u>1,956,716</u>	<u>1,947,831</u>	<u>1,932,122</u>
Revenues Over/(Under) Expenditures	34,983	45,643	18,417	(99,079)	(54,078)
 Fund Balance, Beginning of the year	<u>1,645,594</u>	<u>1,599,951</u>	<u>1,581,534</u>	<u>1,680,613</u>	<u>1,734,691</u>
End of the year	<u><u>\$ 1,680,577</u></u>	<u><u>\$ 1,645,594</u></u>	<u><u>\$ 1,599,951</u></u>	<u><u>\$ 1,581,534</u></u>	<u><u>\$ 1,680,613</u></u>

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
93%	92%	93%	97%	99%
1%	1%	1%	2%	1%
*				
6%	7%	6%	1%	*
100%	100%	100%	100%	100%
3%	3%	3%	3%	3%
81%	78%	78%	81%	77%
14%	16%	18%	21%	23%
98%	97%	99%	105%	103%
2%	3%	1%	(5%)	(3%)

Harris County Municipal Utility District No. 168
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2025

Complete District Mailing Address: 202 Century Square Blvd, Sugar Land, Texas 77478

District Business Telephone Number: (281) 500-6050

Submission Date of the most recent District Registration Form

(TWC Sections 36.054 and 49.054): October 1, 2021

Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200

(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Thomas L. Tanous**	05/24 - 05/28	\$ 7,293	\$ 2,664	President
James S. Busch	05/22 - 05/26	2,652	1,007	Vice President
Nace Peard	05/22 - 05/26	4,641	3,428	Secretary
Jo Ann Montgomery	05/24 - 05/28	3,757	1,516	Assistant Secretary
Wendell R. Barron	05/24 - 05/28	2,652		Assistant Secretary/ Investment Officer
Consultants				
The Muller Law Group, PLLC	2020	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 117,852		
Inframark, LLC	2023	987,897		Operator
McLennan & Associates, LP	2004	46,608		Bookkeeper
Bob Leared Interests, Inc.	1985	27,071		Tax Collector
Harris Central Appraisal District	Legislation	24,456		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	1995	6,570		Delinquent Tax Attorney
Sherrington-Humble, LLC	2006	211,827		Engineer
McGrath & Co., PLLC	2016	20,000		Auditor
Rathmann & Associates, L.P.	2003			Financial Advisor
Clark Condon Associates, Inc.	2011	22,634		Landscape Architect

* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.

** The District paid fees of office to the Director in excess of the \$7,200 limit established by Texas Water Code Section 49.060. This Director will will forgo fees in fiscal year 2026 to repay the overpayment.

See accompanying auditor's report.

