HARRIS COUNTY

MUNICIPAL UTILITY DISTRICT NO. 238

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

AUGUST 31, 2024

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Mark C. Eyring, CPA, PLLC

12702 Century Drive • Suite C2 • Stafford, Texas 77477 • 281-277-9595 • Mark@EyringCPA.com

November 26, 2024

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 238
Harris County, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris County Municipal Utility District No. 238 as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise Harris County Municipal Utility District No. 238's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris County Municipal Utility District No. 238, as of August 31, 2024, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Harris County Municipal Utility District No. 238, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Harris County Municipal Utility District No. 238'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

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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. I 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 Harris County Municipal Utility District No. 238's internal control. Accordingly, no such opinion is expressed. I 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. I conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harris County Municipal Utility District No. 238's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harris County Municipal Utility District No. 238's basic financial statements. The supplementary information on Pages 23 to 41 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Harris County Municipal Utility District No. 238 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended August 31, 2024.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets and liabilities owned by the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as *change in net position*, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. 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 or governmental statutes or regulations.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water and sewer systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's' activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds, and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. The financial objective for the Special Revenue Fund is to insure that the expenditures in the funds are billed to the participants in accordance with the contract. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	2024	2023	Change
Current and other assets	$ 5,891,333	$ 6,044,604	$ (153,271)
Capital assets	13,267,332	13,267,755	(423)
Total assets	19,158,665	19,312,359	(153,694)
Long-term liabilities	11,873,008	13,292,118	(1,419,110)
Other liabilities	2,278,701	2,248,738	29,963
Total liabilities	14,151,709	15,540,856	(1,389,147)
Net position:			
Invested in capital assets, net of related debt	(24,786)	(1,393,523)	1,368,737
Restricted	2,050,823	2,348,953	(298,130)
Unrestricted	2,980,919	2,816,073	164,846
Total net position	$ 5,006,956	$ 3,771,503	$ 1,235,453

Summary of Changes in Net Position

	2024	2023	Change
Revenues:			
Property taxes, including related penalty and interest	$ 2,826,787	$ 2,710,805	$ 115,982
Charges for services	2,102,347	2,054,993	47,354
Other revenues	249,005	169,131	79,874
Total revenues	5,178,139	4,934,929	243,210
Expenses:			
Service operations	3,494,388	3,235,730	258,658
Debt service	448,298	494,537	(46,239)
Total expenses	3,942,686	3,730,267	212,419
Change in net position	1,235,453	1,204,662	30,791
Net position, beginning of year	3,771,503	2,566,841	1,204,662
Net position, end of year	$ 5,006,956	$ 3,771,503	$ 1,235,453

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended August 31, 2024, were $5,114,798, a decrease of $170,424 from the prior year.

The General Fund balance increased by $160,070, in accordance with the District's financial plan.

The Debt Service Fund balance increased by $182,321, in accordance with the District's financial plan.

The Capital Projects Fund balance decreased by $512,815, as authorized expenditures exceeded interest earnings on deposits and investments.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 22 of this report. The budgetary fund balance as of August 31, 2024, was expected to be $3,180,079 and the actual end of year fund balance was $2,963,651.

Capital Asset and Debt Administration

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows:

	Capital Assets (Net of Accumulated Depreciation)		
	2024	2023	Change
Land, easements and detention ponds	$ 1,536,811	$ 1,536,811	$ 0
Construction in progress	470,069	467,927	2,142
Water facilities	4,749,839	4,946,250	(196,411)
Sewer facilities	6,510,613	6,316,767	193,846
Totals	$ 13,267,332	$ 13,267,755	$ (423)

Changes to capital assets during the fiscal year ended August 31, 2024, are summarized as follows:

Additions:	
Water system improvements	$ 373,482
Sanitary sewer system improvements	162,361
Total additions to capital assets	535,843
Decreases:	
Depreciation	(536,266)
Net change to capital assets	$ (423)

Debt

Changes in the bonded debt position of the District during the fiscal year ended August 31, 2024, are summarized as follows:

Bonded debt payable, beginning of year	$ 13,980,000
Bonds paid	(1,411,000)
Bonded debt payable, end of year	$ 12,569,000

At August 31, 2024, the District had $13,770,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The District's bonds have an underlying rating of A+ from Standard & Poor's. The Series 2016 bonds are insured by National Public Finance Guarantee Corporation and the Series 2020 bonds are insured by Build America Mutual Assurance Company. The insured rating of the Series 2016 and 2020 bonds is AA by Standard & Poor's. The Series 2012 and 2019 bonds are not insured and are rated A by Standard & Poor's. There were no changes in the bond ratings during the fiscal year ended August 31, 2024.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately $68,935,000 for the 2023 tax year (about 11%) primarily due to the increase in the valuation of existing property in the District.

Relationship to the City of Houston

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 ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston without the District's consent, subject to the agreement described below. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

Utilizing a provision of Texas law, the City of Houston ("City") and the District entered into a Strategic Partnership Agreement ("SPA") effective as of December 19, 2011. The SPA provides for the limited purpose annexation of certain developed commercial tracts within the District into the City for the limited purposes of imposition of the City's Sales and Use Tax, certain municipal court jurisdictions, and health inspection services and enforcement. No other City services are provided. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City. Additional properties may become subject to the SPA by amending the SPA upon the consent of the City and the District. The term of the SPA is 30 years. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

The City has imposed a Sales and Use Tax within the boundaries of the areas subject to the limited-purpose annexation by the City of Houston. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the such areas and received by the City from the Comptroller of Public Accounts of the State of Texas.

Water Supply Issues

The District is within the Harris-Galveston Subsidence District (the "Subsidence District") Regulatory Area No. 3. The Subsidence District regulates the withdrawal of groundwater within its jurisdiction. The District's authority to pump ground water from its well is subject to annual permits issued by the Subsidence District. The Subsidence District has ordered certain areas of suburban Houston to convert most of their water supply to surface water under various schedules. Beginning in January 2003, the District was required to have a groundwater reduction plan ("GRP"), approved by the Subsidence District and by January 2005, the District must have provided evidence to the Subsidence District that construction of the infrastructure defined within the District's certified groundwater reduction plan has started. The Subsidence District designated January 2010, as the date required for the District to restrict the withdrawal of ground water and convert 30% of its total water use to surface water; January 2025, as the date required for the District to restrict the withdrawal of ground water and convert 60% of its total water use to surface water and January 2035, as the date required for the District to restrict the withdrawal of ground water and convert 80% of its total water use to surface water. If the District does not meet the requirements of the Subsidence District, the District may be required to pay the disincentive fees adopted by the Subsidence District.

In May, 2001, the Texas Legislature created the West Harris County Regional Water Authority (the "Authority") and included the District within the boundaries of the Authority. The Authority was created to provide a regional entity to build the necessary facilities to meet the subsidence District's requirements for conversion from ground water to surface water of all permit holders within its boundaries, including the District. Accordingly, the District is required to pay groundwater reduction plan fees to the Authority, and in turn is entitled to rely upon the Authority's GRP to achieve compliance with the subsidence District's requirements. In accordance with the GRP, the Authority has negotiated a water supply contract with the City of Houston and has issued revenue bonds to finance the surface water supply system. The Authority may establish such fees, charges, or tolls as necessary to accomplish its purposes. The Authority's surface water pumpage fee was equal to $3.95 as of August 31, 2024. The Authority's surface water usage fee was equal to $4.35 as of August 31, 2024.

The District cannot predict the amount or level of fees and charges which may be due the Authority for future years, but anticipates that it will pass such fees through to its customers in higher water rates. In addition, conversion to surface water will necessitate improvements to the District's water supply system, which could require issuance of additional bonds. In the event the Authority fails to commence construction of surface water infrastructure by the deadline established by the Subsidence District, the District and others within the Authority's GRP group could be required to pay the disincentive fee on withdrawn groundwater. This disincentive fee is substantial, and the District expects it would need to pass such fee through to its customers in higher water rates. This disincentive fee would be in addition to the Authority's fee.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

AUGUST 31, 2024

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	$ 53,204	$ 88,760	$ 13,220	$ 155,184	$	$ 155,184
Certificates of deposit, at cost, Note 7	480,000			480,000		480,000
Temporary investments, at cost, Note 7	2,825,888	1,923,395	222,758	4,972,041		4,972,041
Receivables:						
Property taxes	17,268	44,954		62,222		62,222
Accrued penalty and interest on property taxes				0	14,105	14,105
Service accounts	200,172			200,172		200,172
Accrued interest	6,411			6,411		6,411
Other	1,198			1,198		1,198
Maintenance taxes collected not yet transferred from other fund	2,108			2,108	(2,108)	0
Due from other fund	20,101			20,101	(20,101)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	2,006,880	2,006,880
Depreciable capital assets				0	11,260,452	11,260,452
Total assets	$3,606,350	$2,057,109	$ 235,978	$ 5,899,437	13,259,228	19,158,665
LIABILITIES						
Accounts payable	$ 284,834	$ 20,171	$ 10,708	$ 315,713		315,713
Construction contracts payable			43,898	43,898		43,898
Accrued interest payable				0	159,383	159,383
Customer deposits	340,597			340,597		340,597
Maintenance taxes collected not yet transferred to other fund		2,108		2,108	(2,108)	0
Due to other fund			20,101	20,101	(20,101)	0
Long-term liabilities, Note 5:						
Due within one year				0	1,419,110	1,419,110
Due in more than one year				0	11,873,008	11,873,008
Total liabilities	625,431	22,279	74,707	722,417	13,429,292	14,151,709
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	17,268	44,954	0	62,222	(62,222)	0
FUND BALANCES / NET POSITION						
Fund balances:						
Committed to construction contracts in progress			14,400	14,400	(14,400)	0
Assigned to debt service		1,989,876		1,989,876	(1,989,876)	0
Capital projects			146,871	146,871	(146,871)	0
Unassigned	2,963,651			2,963,651	(2,963,651)	0
Total fund balances	2,963,651	1,989,876	161,271	5,114,798	(5,114,798)	0
Total liabilities, deferred inflows, and fund balances	$3,606,350	$2,057,109	$ 235,978	$ 5,899,437		
Net position:						
Invested in capital assets, net of related debt, Note 4					(24,786)	(24,786)
Restricted for debt service					1,889,552	1,889,552
Restricted for capital projects					161,271	161,271
Unrestricted					2,980,919	2,980,919
Total net position					$ 5,006,956	$ 5,006,956

The accompanying notes are an integral part of the financial statements.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED AUGUST 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	$ 792,092	$ 1,991,130	$	$ 2,783,222	$ 16,265	$ 2,799,487
Water service	525,952			525,952		525,952
Sewer service	473,926			473,926		473,926
Surface water fees, Note 9	1,036,450			1,036,450		1,036,450
Penalty and interest	51,610	22,953		74,563	4,347	78,910
Interest on deposits and investments	130,754	89,750	28,501	249,005		249,005
Other	14,409			14,409		14,409
Total revenues	3,025,193	2,103,833	28,501	5,157,527	20,612	5,178,139
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	212,539	9,013		221,552		221,552
Contracted services	214,845	64,286		279,131		279,131
Utilities	137,339			137,339		137,339
Surface water fees, Note 9	1,080,888			1,080,888		1,080,888
Repairs and maintenance	717,855			717,855		717,855
Other operating expenditures	256,354			256,354		256,354
Administrative expenditures	143,398	14,227		157,625		157,625
Depreciation				0	536,266	536,266
Capital outlay / non-capital outlay	90,617		552,604	643,221	(535,843)	107,378
Debt service:						
Principal retirement		1,411,000		1,411,000	(1,411,000)	0
Interest and fees		422,986		422,986	25,312	448,298
Total expenditures / expenses	2,853,835	1,921,512	552,604	5,327,951	(1,385,265)	3,942,686
Excess (deficiency) of revenues over expenditures	171,358	182,321	(524,103)	(170,424)	1,405,877	1,235,453
OTHER FINANCING SOURCES (USES)						
Reimbursement to (from) other fund, Note 7	(11,288)	0	11,288	0	0	0
Total other financing sources (uses)	(11,288)	0	11,288	0	0	0
Net change in fund balances / net position	160,070	182,321	(512,815)	(170,424)	1,405,877	1,235,453
Beginning of year	2,803,581	1,807,555	674,086	5,285,222	(1,513,719)	3,771,503
End of year	$ 2,963,651	$ 1,989,876	$ 161,271	$ 5,114,798	$ (107,842)	$ 5,006,956

The accompanying notes are an integral part of the financial statements.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2024

NOTE 1: REPORTING ENTITY

Harris County Municipal Utility District No. 238 (the "District") was created by an order of the Texas Water Commission (now the Texas Commission on Environmental Quality) effective December 2, 1982, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on November 9, 1984, and the first bonds were sold on May 21, 2002. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

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. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

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

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		$ 5,114,798
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		13,267,332
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	$ (12,569,000)	
Deferred charge on refunding (to be amortized as interest expense)	192,527	
Issuance premium, net of discount (to be amortized as interest expense)	(915,645)	(13,292,118)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	14,105	
Uncollected property taxes	62,222	76,327
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		(159,383)
Net position, end of year		$ 5,006,956

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		$ (170,424)
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	$ 535,843	
Depreciation	(536,266)	(423)
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Principal reduction		1,411,000
The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Refunding charges	(57,801)	
Issuance discounts, net of premiums	15,961	(41,840)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Accrued penalty and interest on property taxes receivable	4,347	
Uncollected property taxes	16,265	20,612
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:		
Accrued interest		16,528
Change in net position		$ 1,235,453

NOTE 4: CAPITAL ASSETS

At August 31, 2024, “Invested in capital assets, net of related debt” was $(24,786). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of $5,000 (see Note 2) and some authorized expenditures were not for capital assets.

Capital asset activity for the fiscal year ended August 31, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land, easements and detention ponds	$ 1,536,811	$	$	$ 1,536,811
Construction in progress	467,927	360,174	358,032	470,069
Total capital assets not being depreciated	2,004,738	360,174	358,032	2,006,880
Depreciable capital assets:				
Water system	8,292,648	15,068		8,307,716
Sewer system	11,343,815	518,633		11,862,448
Total depreciable capital assets	19,636,463	533,701	0	20,170,164
Less accumulated depreciation for:				
Water system	(3,346,398)	(211,479)		(3,557,877)
Sewer system	(5,027,048)	(324,787)		(5,351,835)
Total accumulated depreciation	(8,373,446)	(536,266)	0	(8,909,712)
Total depreciable capital assets, net	11,263,017	(2,565)	0	11,260,452
Total capital assets, net	$ 13,267,755	$ 357,609	$ 358,032	$ 13,267,332
Changes to capital assets:				
Capital outlay		$ 535,843	$	
Assets transferred to depreciable assets		358,032	358,032	
Less depreciation expense for the fiscal year		(536,266)		
Net increases / decreases to capital assets		$ 357,609	$ 358,032	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended August 31, 2024 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable	$ 13,980,000	$	$ 1,411,000	$ 12,569,000	$ 1,454,000
Less deferred amounts:					
For issuance (discounts)/premiums	931,606		15,961	915,645	16,173
For refunding	(250,328)		(57,801)	(192,527)	(51,063)
Total bonds payable	14,661,278	0	1,369,160	13,292,118	1,419,110
Total long-term liabilities	$ 14,661,278	$ 0	$ 1,369,160	$ 13,292,118	$ 1,419,110

Bonds voted	$ 48,295,000
Bonds approved for sale and sold	34,525,000
Bonds voted and not issued	13,770,000
Refunding bonds voted	39,955,000
Refunding bonds approved for sale and sold	2,845,639
Refunding bonds voted and not issued	37,109,361

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of August 31, 2024, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2025	$ 1,454,000	$ 382,520	$ 1,836,520
2026	1,497,000	341,626	1,838,626
2027	1,545,000	298,514	1,843,514
2028	1,607,000	239,653	1,846,653
2029	1,140,000	178,250	1,318,250
2030 - 2034	3,181,000	399,241	3,580,241
2035 - 2039	1,750,000	147,500	1,897,500
2040 - 2043	395,000	7,900	402,900
	$ 12,569,000	$ 1,995,204	$ 14,564,204

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

	Refunding Series 2012	Refunding Series 2016	Refunding Series 2019
Amounts outstanding, August 31, 2024	$2,350,000	$5,490,000	$1,004,000
Interest rates	2.91%	3.00% to 4.00%	2.115%
Maturity dates, serially/ beginning/ending	April 1, 2025/2026	April 1, 2025/2031	April 1, 2025/2031
Interest payment dates	October 1/April 1	October 1/April 1	October 1/April 1
Callable dates	Not Callable	April 1, 2026*	April 1, 2029*

	Series 2020
Amounts outstanding, August 31, 2024	$3,725,000
Interest rates	2.00%
Maturity dates, serially/ beginning/ending	April 1, 2025/2040
Interest payment dates	October 1/April 1
Callable dates	April 1, 2029*

*Or any date thereafter, callable at par plus accrued interest in whole or in part at the option of the District.

NOTE 6: PROPERTY TAXES

The Harris County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

At an election held September 24, 1983, the voters within the District authorized a maintenance tax not to exceed $0.50 per $100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 24, 2023 the District levied the following ad valorem taxes for the 2023 tax year on the adjusted taxable valuation of $681,780,590:

	Rate	Amount
Debt service	$ 0.29500	$ 2,011,244
Maintenance	0.11736	800,134
	$ 0.41236	$ 2,811,378

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2023 tax year total property tax levy	$ 2,811,378
Appraisal district adjustments to prior year taxes	(11,891)
Statement of Activities property tax revenues	$ 2,799,487

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions, Texas Cooperative Liquid Asset Securities System Trust (“TXCLASS”), a private sector local government investment pool, and in TexPool, a local government investment pool sponsored by the State Comptroller. TXCLASS and TexPool are rated AAAm by Standard & Poor’s.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was $635,184 and the bank balance was $804,612. Of the bank balance, $750,753 was covered by federal insurance and $53,859 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Dallas.

At the balance sheet date the carrying value and market value of the investments in TXCLASS and TexPool were $3,959,922 and $1,012,119, respectively.

Deposits and temporary investments restricted by state statutes and the Bond Orders:

Debt Service Fund

For payment of debt principal and interest, paying agent fees and costs of assessing and collecting taxes:

Cash	$ 88,760
Temporary investments	1,923,395
	$ 2,012,155

Capital Projects Fund

For construction of capital assets:

Cash	$ 13,220
Temporary investments	222,758
	$ 235,978

NOTE 8: 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; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At August 31, 2024, the District had physical damage and boiler and machinery coverage of $15,815,000, comprehensive general liability coverage with a per occurrence limit of $1,000,000 and $3,000,000 general aggregate, pollution coverage of $1,000,000, worker’s compensation coverage of $1,000,000, consultant’s crime coverage of $50,000 and a tax assessor-collector bond of $10,000.

NOTE 9: REGIONAL WATER AUTHORITY

The West Harris County Regional Water Authority (the "Authority") was created by House Bill 1842, Acts of the 77th Legislature, Regular Session 2003. The Authority is a political subdivision of the State of Texas, governed by an elected nine member Board of Directors. The Authority is empowered to, among other powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, as of August 31, 2024, the Authority had established a well pumpage fee of $3.95 per 1,000 gallons of water pumped from each regulated well and surface water usage fees of $4.35 per 1,000 gallons. The surface water fees payable by the District to the Authority for the fiscal year ended August 31, 2024, were $1,080,888. The District billed its customers $1,036,450 during the fiscal year to pay for the fees charged by the Authority.

NOTE 10: STRATEGIC PARTNERSHIP AGREEMENT

Effective December 19, 2011, the District and the City of Houston (the “City”) entered into a 30 year Strategic Partnership Agreement (the “Agreement”). Under the terms of the Agreement, the City annexed a portion of the District (the “Partial District”) for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Partial District. The Agreement states that the District and all taxable property within the District shall not be liable for any present or future debts of the City and current and future taxes levied by the City shall not be levied on taxable property with the District. The City agreed that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement.

The City has imposed a Sales and Use Tax within the boundaries of the areas subject to the limited-purpose annexation by the City of Houston. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the such areas and received by the City from the Comptroller of Public Accounts of the State of Texas. The District did not receive any Sales and Use Tax revenues during the fiscal year ended August 31, 2024.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED AUGUST 31, 2024

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	$ 803,388	$ 803,388	$ 792,092	$ (11,296)
Water service	530,359	530,359	525,952	(4,407)
Sewer service	510,847	510,847	473,926	(36,921)
Surface water fees	898,102	898,102	1,036,450	138,348
Penalty	70,000	70,000	51,610	(18,390)
Interest on deposits and investments	77,600	77,600	130,754	53,154
Other revenues	7,000	7,000	14,409	7,409
TOTAL REVENUES	2,897,296	2,897,296	3,025,193	127,897
EXPENDITURES				
Service operations:				
Professional fees	141,050	141,050	212,539	71,489
Contracted services	176,500	176,500	214,845	38,345
Utilities	130,000	130,000	137,339	7,339
Surface water fees	886,837	886,837	1,080,888	194,051
Repairs and maintenance	694,311	694,311	717,855	23,544
Other operating expenditures	255,000	255,000	256,354	1,354
Administrative expenditures	119,000	119,000	143,398	24,398
Capital outlay	118,100	118,100	90,617	(27,483)
TOTAL EXPENDITURES	2,520,798	2,520,798	2,853,835	333,037
EXCESS REVENUES (EXPENDITURES)	376,498	376,498	171,358	(205,140)
OTHER FINANCING SOURCES (USES)				
Reimbursement from other fund	0	0	(11,288)	(11,288)
EXCESS SOURCES (USES)	376,498	376,498	160,070	(216,428)
FUND BALANCE, BEGINNING OF YEAR	2,803,581	2,803,581	2,803,581	0
FUND BALANCE, END OF YEAR	$ 3,180,079	$ 3,180,079	$ 2,963,651	$ (216,428)

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

AUGUST 31, 2024

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

[X] TSI-1. Services and Rates

[X] TSI-2. General Fund Expenditures

[X] TSI-3. Temporary Investments

[X] TSI-4. Taxes Levied and Receivable

[X] TSI-5. Long-Term Debt Service Requirements by Years

[X] TSI-6. Changes in Long-Term Bonded Debt

[X] TSI-7. Comparative Schedule of Revenues and Expenditures - General Fund and Debt Service Fund - Five Year

[X] TSI-8. Board Members, Key Personnel and Consultants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

SCHEDULE OF SERVICES AND RATES

AUGUST 31, 2024

1. Services Provided by the District during the Fiscal Year:

X Retail Water	__ Wholesale Water	__ Drainage
X Retail Wastewater	__ Wholesale Wastewater	__ Irrigation
__ Parks/Recreation	__ Fire Protection	__ Security
__ Solid Waste/Garbage	__ Flood Control	__ Roads

X Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

__ Other

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	$14.50	10,000	N	$1.00	10,001 to 20,000
				1.25	Over 20,000
WASTEWATER:	$15.50		Y		

SURCHARGE: $4.35 per 1,000 gallons of water used. – WHCRWA surface water fees.

District employs winter averaging for wastewater usage: Yes __ No X

Total charges per 10,000 gallons usage: Water: $14.50 Wastewater: $15.50 Surcharge: $43.50

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

SCHEDULE OF SERVICES AND RATES (Continued)

AUGUST 31, 2024

b. Water and Wastewater Retail Connections (unaudited):

Meter Size	Total Connections	Active Connections	ESFC* Factor	Active ESFCs
Unmetered	0	0	1.0	0
< or = 3/4"	2,579	2,576	1.0	2,576
1"	2	2	2.5	5
1-1/2"	0	0	5.0	0
2"	10	9	8.0	72
3"	0	0	15.0	0
4"	0	0	25.0	0
6"	0	0	50.0	0
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	2,591	2,587		2,653
Total Wastewater	2,578	2,575	1.0	2,575

*Single family equivalents

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

Gallons pumped into system (unaudited): 229,999
Gallons billed to customers (unaudited): 209,067

Water Accountability Ratio
(Gallons billed/ gallons pumped): 91%

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

Does the District have Debt Service standby fees? Yes __ No X

If yes, date of the most recent Commission Order: _____

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

If yes, date of the most recent Commission Order: _____

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

EXPENDITURES

FOR THE YEAR ENDED AUGUST 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CURRENT				
Professional fees:				
Auditing	$ 12,250	$	$	$ 12,250
Legal	130,612	9,013		139,625
Engineering	69,677			69,677
	212,539	9,013	0	221,552
Contracted services:				
Bookkeeping	29,978			29,978
Operation and billing	184,867			184,867
Tax assessor-collector		46,157		46,157
Central appraisal district		18,129		18,129
	214,845	64,286	0	279,131
Utilities	137,339	0	0	137,339
Surface water fees:				
Ground water pumpage fees	394,743			394,743
Purchased surface water	686,145			686,145
	1,080,888	0	0	1,080,888
Repairs and maintenance	717,855	0	0	717,855
Other operating expenditures:				
Sludge hauling	127,189			127,189
Chemicals	46,756			46,756
Laboratory costs	44,839			44,839
Reconnection costs	30,466			30,466
Sewer inspections	1,530			1,530
TCEQ assessment	5,046			5,046
Other	528			528
	256,354	0	0	256,354
Administrative expenditures:				
Director's fees	16,354			16,354
Office supplies and postage	65,812			65,812
Insurance	34,865	100		34,965
Permits	11,980			11,980
Other	14,387	14,127		28,514
	143,398	14,227	0	157,625

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

EXPENDITURES (Continued)

FOR THE YEAR ENDED AUGUST 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CAPITAL OUTLAY				
Authorized expenditures	$ 90,617	$ 0	$ 552,604	$ 643,221
DEBT SERVICE				
Principal retirement	0	1,411,000	0	1,411,000
Interest and fees:				
Interest		422,186		422,186
Paying agent fees		800		800
	0	422,986	0	422,986
TOTAL EXPENDITURES	$ 2,853,835	$ 1,921,512	$ 552,604	$ 5,327,951

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED AUGUST 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	$ 2,423,362	$ 2,104,381	$ 28,501	$ 4,556,244
Maintenance tax receipts		792,092		792,092
Reimbursement from other fund			11,288	11,288
Increase in customer deposits	14,530			14,530
Transfer of maintenance taxes	792,613			792,613
Overpayments from taxpayers		16,341		16,341
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	3,230,505	2,912,814	39,789	6,183,108
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	2,829,844	86,819		2,916,663
Capital outlay	90,617			90,617
Debt service		1,833,986	488,120	2,322,106
Other fund	20,101			20,101
Reimbursement to other fund	11,288			11,288
Transfer of maintenance taxes		792,613		792,613
Refund of taxpayer overpayments		12,794		12,794
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	2,951,850	2,726,212	488,120	6,166,182
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	278,655	186,602	(448,331)	16,926
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	3,080,437	1,825,553	684,309	5,590,299
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	$ 3,359,092	$ 2,012,155	$ 235,978	$ 5,607,225

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

AUGUST 31, 2024

	Interest Rate	Maturity Date	Year End Balance	Accrued Interest Receivable
GENERAL FUND				
Certificates of Deposit				
No. 164	4.00%	12/16/24	$ 240,000	$ 3,526
No. 888	3.40%	9/16/24	240,000	2,885
			$ 480,000	$ 6,411
TexPool				
No. 7996800001	Market	On demand	$ 1,012,119	$ 0
Texas CLASS				
No. TX-01-0380-0001	Market	On demand	$ 1,813,769	$ 0
DEBT SERVICE FUND				
Texas CLASS				
No. TX-01-0380-0002	Market	On demand	$ 1,923,395	$ 0
CAPITAL PROJECTS FUND				
Texas CLASS				
No. TX-01-0380-0003	Market	On demand	$ 222,758	$ 0
Total – All Funds			$ 5,452,041	$ 6,411

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 2024

	Maintenance Taxes	Debt Service Taxes
RECEIVABLE, BEGINNING OF YEAR	$ 12,492	$ 33,465
Additions and corrections to prior year taxes	(3,266)	(8,625)
Adjusted receivable, beginning of year	9,226	24,840
2023 ADJUSTED TAX ROLL	800,134	2,011,244
Total to be accounted for	809,360	2,036,084
Tax collections: Current tax year	(791,170)	(1,988,712)
Prior tax years	(922)	(2,418)
RECEIVABLE, END OF YEAR	$ 17,268	$ 44,954
RECEIVABLE, BY TAX YEAR		
2013 and prior	$ 575	$ 2,116
2014	491	1,520
2015	639	1,562
2016	533	1,524
2017	548	1,448
2018	493	1,268
2019	593	1,482
2020	732	1,803
2021	1,283	3,305
2022	2,417	6,394
2023	8,964	22,532
RECEIVABLE, END OF YEAR	$ 17,268	$ 44,954

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED AUGUST 31, 2024

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	2023	2022	2021	2020
Land	$ 149,836,610	$ 131,024,560	$ 102,747,628	$ 91,087,473
Improvements	600,000,890	542,862,673	484,085,787	452,698,017
Personal property	9,348,856	9,717,322	8,180,917	7,650,917
Less exemptions	(77,405,766)	(70,760,103)	(62,793,189)	(58,459,690)
TOTAL PROPERTY VALUATIONS	$ 681,780,590	$ 612,844,452	$ 532,221,143	$ 492,976,717
TAX RATES PER $100 VALUATION				
Debt service tax rates	$ 0.29500	$ 0.31750	$ 0.33500	$ 0.34500
Maintenance tax rates*	0.11736	0.12000	0.13000	0.14000
TOTAL TAX RATES PER $100 VALUATION	$ 0.41236	$ 0.43750	$ 0.46500	$ 0.48500
TAX ROLLS	$ 2,811,378	$ 2,681,183	$ 2,474,815	$ 2,390,924
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	98.9 %	99.7 %	99.8 %	99.9 %

*Maximum tax rate approved by voters on November 6, 2001: $1.50

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

AUGUST 31, 2024

Due During Fiscal Years Ending August 31	Series 2012 Principal Due April 1	Series 2012 Interest Due October 1, April 1	Series 2012 Total
2025	$ 1,150,000	$ 68,385	$ 1,218,385
2026	1,200,000	34,920	1,234,920
TOTALS	$ 2,350,000	$ 103,305	$ 2,453,305

Due During Fiscal Years Ending August 31	Series 2016 Principal Due April 1	Series 2016 Interest Due October 1, April 1	Series 2016 Total
2025	$ 120,000	$ 218,400	$ 338,400
2026	105,000	214,800	319,800
2027	1,390,000	210,600	1,600,600
2028	1,455,000	155,000	1,610,000
2029	980,000	96,800	1,076,800
2030	710,000	57,600	767,600
2031	730,000	29,200	759,200
TOTALS	$ 5,490,000	$ 982,400	$ 6,472,400

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

AUGUST 31, 2024

Due During Fiscal Years Ending August 31	Series 2019		
	Principal Due April 1	Interest Due October 1, April 1	Total
2025	$ 129,000	$ 21,235	$ 150,235
2026	132,000	18,506	150,506
2027	140,000	15,714	155,714
2028	142,000	12,753	154,753
2029	150,000	9,750	159,750
2030	152,000	6,578	158,578
2031	159,000	3,363	162,363
TOTALS	$ 1,004,000	$ 87,899	$ 1,091,899

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

AUGUST 31, 2024

Due During Fiscal Years Ending August 31	Series 2020		
	Principal Due April 1	Interest Due October 1, April 1	Total
2025	$ 55,000	$ 74,500	$ 129,500
2026	60,000	73,400	133,400
2027	15,000	72,200	87,200
2028	10,000	71,900	81,900
2029	10,000	71,700	81,700
2030	265,000	71,500	336,500
2031	275,000	66,200	341,200
2032	285,000	60,700	345,700
2033	295,000	55,000	350,000
2034	310,000	49,100	359,100
2035	320,000	42,900	362,900
2036	335,000	36,500	371,500
2037	350,000	29,800	379,800
2038	365,000	22,800	387,800
2039	380,000	15,500	395,500
2040	395,000	7,900	402,900
TOTALS	$ 3,725,000	$ 821,600	$ 4,546,600

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

AUGUST 31, 2024

Due During Fiscal Years Ending August 31	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total
2025	$ 1,454,000	$ 382,520	$ 1,836,520
2026	1,497,000	341,626	1,838,626
2027	1,545,000	298,514	1,843,514
2028	1,607,000	239,653	1,846,653
2029	1,140,000	178,250	1,318,250
2030	1,127,000	135,678	1,262,678
2031	1,164,000	98,763	1,262,763
2032	285,000	60,700	345,700
2033	295,000	55,000	350,000
2034	310,000	49,100	359,100
2035	320,000	42,900	362,900
2036	335,000	36,500	371,500
2037	350,000	29,800	379,800
2038	365,000	22,800	387,800
2039	380,000	15,500	395,500
2040	395,000	7,900	402,900
TOTALS	$ 12,569,000	$ 1,995,204	$ 14,564,204

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

FOR THE YEAR ENDED AUGUST 31, 2024

	(1)	(2)	(3)
Bond Series:	2012	2016	2019
Interest Rate:	2.91%	3.00% to 4.00%	2.115%
Dates Interest Payable:	October 1/ April 1	October 1/ April 1	October 1/ April 1
Maturity Dates:	April 1, 2025/2026	April 1, 2025/2031	April 1, 2025/2031
Bonds Outstanding at Beginning of Current Year	$ 3,460,000	$ 5,610,000	$ 1,130,000
Less Retirements	(1,110,000)	(120,000)	(126,000)
Bonds Outstanding at End of Current Year	$ 2,350,000	$ 5,490,000	$ 1,004,000
Current Year Interest Paid	$ 100,686	$ 222,000	$ 23,900

Bond Descriptions and Original Amount of Issue

(1) Harris County Municipal Utility District No. 238 Unlimited Tax Bonds, Series 2012 ($7,565,000)

(2) Harris County Municipal Utility District No. 238 Unlimited Tax Refunding Bonds, Series 2016 ($6,300,000)

(3) Harris County Municipal Utility District No. 238 Unlimited Tax Refunding Bonds, Series 2019 ($2,131,000)

Paying Agent/Registrar

(1) (2) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
(3) JP Morgan Chase Bank, N.A., Houston, Texas

Bond Authority	Tax Bonds	Other Bonds	Refunding Bonds
Amount Authorized by Voters:	$ 48,295,000	$ 0	39,955,000
Amount Issued:	34,525,000		2,845,639
Remaining to be Issued:	13,770,000		37,109,361

Net Debt Service Fund deposits and investments balances as of August 31, 2024: $ 1,989,876
Average annual debt service payment for remaining term of all debt: 910,263

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)

FOR THE YEAR ENDED AUGUST 31, 2024

	(4)	Totals
Bond Series:	2020	
Interest Rate:	2.00%	
Dates Interest Payable:	October 1/ April 1	
Maturity Dates:	April 1, 2025/2040	
Bonds Outstanding at Beginning of Current Year	$ 3,780,000	$ 13,980,000
Less Retirements	(55,000)	(1,411,000)
Bonds Outstanding at End of Current Year	$ 3,725,000	$ 12,569,000
Current Year Interest Paid	$ 75,600	$ 422,186

Bond Descriptions and Original Amount of Issue

(4) Harris County Municipal Utility District No. 238 Unlimited Tax Bonds, Series 2020 ($3,910,000)

Paying Agent/Registrar

(4) BOKF, N.A., Austin, Texas

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED AUGUST 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
REVENUES										
Property taxes	$ 792,092	$ 733,530	$ 691,487	$ 693,709	$ 673,939	26.2 %	25.6 %	25.8 %	26.3 %	26.3 %
Water service	525,952	505,010	473,571	507,222	485,897	17.4	17.6	17.7	19.3	18.9
Sewer service	473,926	482,080	455,241	491,471	473,138	15.7	16.8	17.0	18.7	18.4
Surface water fees	1,036,450	991,223	960,973	853,941	832,513	34.2	34.5	36.0	32.3	32.4
Penalty	51,610	71,378	69,664	68,543	43,097	1.7	2.5	2.6	2.6	1.7
Interest on deposits and investments	130,754	80,728	17,093	14,710	47,735	4.3	2.8	0.6	0.6	1.9
Other revenues	14,409	5,302	9,256	5,103	10,849	0.5	0.2	0.3	0.2	0.4
TOTAL REVENUES	3,025,193	2,869,251	2,677,285	2,634,699	2,567,168	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	212,539	138,196	133,312	141,036	140,812	7.0	4.8	5.0	5.4	5.5
Contracted services	214,845	186,988	194,107	172,093	132,964	7.1	6.5	7.3	6.5	5.2
Utilities	137,339	135,171	121,249	105,471	104,695	4.5	4.7	4.5	4.0	4.1
Surface water fees	1,080,888	1,021,454	977,792	844,452	832,150	35.8	35.6	36.6	32.1	32.4
Repairs and maintenance	717,855	857,517	798,940	512,159	509,683	23.7	29.9	29.8	19.4	19.9
Other operating expenditures	256,354	171,403	201,872	210,513	167,458	8.5	6.0	7.5	8.0	6.5
Administrative expenditures	143,398	106,448	89,200	74,225	83,252	4.7	3.7	3.3	2.8	3.2
Capital outlay	90,617	276,115	261,675	402,444	415,975	3.0	9.6	9.8	15.3	16.2
TOTAL EXPENDITURES	2,853,835	2,893,292	2,778,147	2,462,393	2,386,989	94.3	100.8	103.8	93.5	93.0
EXCESS REVENUES (EXPENDITURES)	$ 171,358	$ (24,041)	$ (100,862)	$ 172,306	$ 180,179	5.7 %	(0.8) %	(3.8) %	6.5 %	7.0 %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	2,587	2,578	2,582	2,578	2,564					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	2,575	2,571	2,569	2,562	2,547					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,

FOR YEARS ENDED AUGUST 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
REVENUES										
Property taxes	$ 1,991,130	$ 1,940,723	$ 1,781,678	$ 1,713,028	$ 1,685,559	94.6 %	96.6 %	98.6 %	97.6 %	97.2 %
Penalty and interest and other	22,953	18,394	21,950	34,426	19,979	1.1	0.9	1.2	2.0	1.2
Interest on deposits and investments	89,750	49,550	3,552	6,893	27,137	4.3	2.5	0.2	0.4	1.6
TOTAL REVENUES	2,103,833	2,008,667	1,807,180	1,754,347	1,732,675	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	9,013	8,385	8,253	8,738	6,367	0.4	0.4	0.5	0.5	0.4
Contracted services	64,286	65,967	56,731	61,463	62,366	3.1	3.3	3.1	3.5	3.6
Other expenditures	14,227	7,362	14,595	9,405	8,829	0.7	0.4	0.8	0.5	0.5
Debt service:										
Principal retirement	1,411,000	1,373,000	1,338,000	1,220,000	1,195,000	67.0	68.3	74.0	69.6	69.0
Interest and fees	422,986	461,769	498,923	484,870	465,185	20.1	23.0	27.6	27.6	26.8
TOTAL EXPENDITURES	1,921,512	1,916,483	1,916,502	1,784,476	1,737,747	91.3	95.4	106.0	101.7	100.3
EXCESS REVENUES (EXPENDITURES)	$ 182,321	$ 92,184	$ (109,322)	$ (30,129)	$ (5,072)	8.7 %	4.6 %	(6) %	(1.7) %	(0.3) %

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

AUGUST 31, 2024

Complete District Mailing Address: Harris County Municipal Utility District No. 238
c/o Roach & Associates, PLLC
2001 Timberloch Place, Suite 500
The Woodlands, Texas 77380

District Business Telephone No.: 832-390-2268

Submission date of the most recent District Registration Form: June 4, 2024

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

BOARD MEMBERS

Name and Address	Term of Office (Elected/ Appointed)	Fees of Office Paid	Expense Reimb.	Title at Year End
Randy Love c/o Roach & Associates, PLLC 2001 Timberloch Place, Suite 500 The Woodlands, Texas 77380	Elected 5/04/24- 5/06/28	$ 2,873	$ 0	President
Gary Nelson c/o Roach & Associates, PLLC 2001 Timberloch Place, Suite 500 The Woodlands, Texas 77380	Elected 5/04/24- 5/06/28	2,652	0	Vice President
C. L. Crane c/o Roach & Associates, PLLC 2001 Timberloch Place, Suite 500 The Woodlands, Texas 77380	Elected 5/07/22- 5/02/26	2,431	0	Secretary
Ronald Julun c/o Roach & Associates, PLLC 2001 Timberloch Place, Suite 500 The Woodlands, Texas 77380	Elected 5/07/22- 5/02/26	6,851	2,093	Assistant Secretary
Patricia Richardson c/o Roach & Associates, PLLC 2001 Timberloch Place, Suite 500 The Woodlands, Texas 77380	Appointed 5/28/24- 5/02/28	884	68	Director

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

AUGUST 31, 2024

CONSULTANTS

Name and Address	Date Hired	Fees and Expense Reimbursements	Title at Year End
Roach & Associates, PLLC 2001 Timberloch Place, Suite 500 The Woodlands, Texas 77380	12/01/11	$ 130,612	Attorney
Ted A. Cox, P.C. 440 Louisiana, Suite 1450 Houston, Texas 77002	2/19/97	9,013	Delinquent Tax Attorney
District Data Services, Inc. 9575 Katy Freeway, Suite 390 Houston, Texas 77024	11/23/21	22,710	Bookkeeper
Lynnette Tujague P.O. Box 79349 Houston, Texas 77279	2/22/22	0	Investment Officer
H2O Innovation P.O. Box 1209 Spring, Texas 77383	9/24/13	1,038,393	Operator
Vogler & Spencer Engineering, Inc. 777 North Eldridge Parkway, Suite 500 Houston, Texas 77079	8/10/13	131,398	Engineer
Cathy Wheeler 6935 Barney Road, Suite 110 Houston, Texas 77092	11/14/83	52,123	Tax Assessor-Collector
Harris Central Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	18,129	Central Appraisal District
Huntington Securities, Inc. 500 North Akard Street, Suite 2350 Dallas, Texas 75201	9/22/15	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	8/23/16	12,250	Independent Auditor