

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**MARCH 31, 2023**



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**MARCH 31, 2023**



## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1-3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	11
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	12
NOTES TO THE FINANCIAL STATEMENTS	13-28
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	30
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	32-34
GENERAL FUND EXPENDITURES	35
INVESTMENTS	36
TAXES LEVIED AND RECEIVABLE	37-38
LONG-TERM DEBT SERVICE REQUIREMENTS	39
CHANGES IN LONG-TERM BOND DEBT	40
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	41-42
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	43-44



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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Harris County Municipal  
Utility District No. 264  
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. 264 (the "District") as of and for the year ended March 31, 2023, 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 the District as of March 31, 2023, and the respective changes in financial position 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 the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund 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 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.



Board of Directors  
Harris County Municipal Utility District No. 264

### **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 supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is 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 supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "McCall Gibson Swedlund Barfoot PLLC". The signature is written in a cursive, flowing style.

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

June 21, 2023



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2023**

Management’s discussion and analysis of the financial performance of Harris County Municipal Utility District No. 264 (the “District”) provides an overview of the District’s financial activities for the fiscal year ended March 31, 2023. Please read it in conjunction with the District’s financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The District’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District’s assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District’s net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid.

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has two governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2023**

**FUND FINANCIAL STATEMENTS (Continued)**

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District’s governmental fund. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position, and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

**NOTES TO THE FINANCIAL STATEMENTS**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information (“RSI”) and other information. A budgetary comparison schedule is included as RSI for the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets exceeded liabilities by \$7,977,985 as of March 31, 2023. A portion of the District’s net position reflects its net investment in capital assets. Net position consists of water and wastewater facilities as well as the District’s capacity interest in the HC MUD No. 70 joint facilities less any debt issued to acquire those assets.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2023**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The following is a comparative analysis of the government-wide change in net position:

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2023</u>	<u>2022</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 5,182,507	\$ 4,584,950	\$ 597,557
Capital Assets (Net of Accumulated Depreciation)	<u>5,427,287</u>	<u>5,674,075</u>	<u>(246,788)</u>
Total Assets	<u>\$ 10,609,794</u>	<u>\$ 10,259,025</u>	<u>\$ 350,769</u>
Bonds Payable	\$ 2,445,000	\$ 2,590,000	\$ 145,000
Other Liabilities	<u>186,809</u>	<u>140,964</u>	<u>(45,845)</u>
Total Liabilities	<u>\$ 2,631,809</u>	<u>\$ 2,730,964</u>	<u>\$ 99,155</u>
Net Position:			
Net Investment in Capital Assets	\$ 2,982,287	\$ 3,084,075	\$ (101,788)
Restricted	424,876	392,921	31,955
Unrestricted	<u>4,570,822</u>	<u>4,051,065</u>	<u>519,757</u>
Total Net Position	<u>\$ 7,977,985</u>	<u>\$ 7,528,061</u>	<u>\$ 449,924</u>

The following table provides a comparative analysis of the District's operations for the years ended March 31, 2023, and March 31, 2022.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2023</u>	<u>2022</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 1,170,005	\$ 1,081,003	\$ 89,002
Charges for Services	1,252,950	1,035,605	217,345
Other Revenues	<u>148,948</u>	<u>26,990</u>	<u>121,958</u>
Total Revenues	<u>\$ 2,571,903</u>	<u>\$ 2,143,598</u>	<u>\$ 428,305</u>
Expenses for Services	<u>2,121,979</u>	<u>1,888,115</u>	<u>(233,864)</u>
Change in Net Position	\$ 449,924	\$ 255,483	\$ 194,441
Net Position, Beginning of Year	<u>7,528,061</u>	<u>7,272,578</u>	<u>255,483</u>
Net Position, End of Year	<u>\$ 7,977,985</u>	<u>\$ 7,528,061</u>	<u>\$ 449,924</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2023**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's combined fund balances as of March 31, 2023, were \$4,936,356, an increase of \$544,036 from the prior year.

The General Fund fund balance increased by \$515,987, primarily due to service revenues and property tax revenues exceeding operating, capital and administrative expenditures.

The Debt Service Fund fund balance increased by \$28,049, primarily due to the structure of the District's debt.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors adopted an unappropriated General Fund budget for the current fiscal year. Actual revenues were \$289,919 more than budgeted revenues and actual expenditures were \$225,863 less than budgeted expenditures which resulted in a positive variance of \$515,782. See the budget to actual comparison for more information.

**CAPITAL ASSETS**

Capital assets as of March 31, 2023, total \$5,427,287 (net of accumulated depreciation), and include land as well as the water and wastewater systems. The District also owns capacity in certain Harris County Municipal Utility District No. 70 facilities. Significant current year capital outlay consisted of water plant no. 1 improvements and the District's share of wastewater treatment plant improvements.

Capital Assets At Year-End			
	2023	2022	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 96,043	\$ 96,043	\$
Capital Assets Subject to Depreciation:			
Water System	7,162,876	7,138,915	23,961
Wastewater System	3,246,163	3,246,163	
Capacity in HC MUD No. 70 Facilities	1,635,563	1,581,646	53,917
Less Accumulated Depreciation	(6,713,358)	(6,388,692)	(324,666)
Total Net Capital Assets	\$ 5,427,287	\$ 5,674,075	\$ (246,788)



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2023**

**LONG-TERM DEBT ACTIVITY**

The changes in the debt position of the District during the year ended March 31, 2023, are summarized as follows:

Bond Debt Payable, April 1, 2022	\$ 2,590,000
Less: Bond Principal Paid	<u>145,000</u>
Bond Debt Payable, March 31, 2023	<u>\$ 2,445,000</u>

The District has an underlying rating of "A2" issued by Moody's Investors Service. The Series 2015 bonds carry insured ratings of "AA" issued by Standard and Poor's, "A1" issued by Moody's Investors Service and "AA+" issued by Kroll Bond Rating Agency, all by virtue of bond insurance issued by Assured Guaranty Municipal. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 264, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**MARCH 31, 2023**

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
<b>ASSETS</b>					
Cash	\$ 108,210	\$ 110,821	\$ 219,031	\$	\$ 219,031
Investments	4,402,504	339,580	4,742,084		4,742,084
Receivables:					
Property Taxes	28,661	15,397	44,058		44,058
Penalty and Interest on Delinquent Taxes				21,982	21,982
Service Accounts	94,189		94,189		94,189
Cy-Fair ISD	14,311		14,311		14,311
Due from Other Funds	42,718		42,718	(42,718)	
Operating Advance	46,852		46,852		46,852
Land				96,043	96,043
Capital Assets (Net of Accumulated Depreciation)				<u>5,331,244</u>	<u>5,331,244</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,737,445</u>	<u>\$ 465,798</u>	<u>\$ 5,203,243</u>	<u>\$ 5,406,551</u>	<u>\$ 10,609,794</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 166,623	\$ 13,488	\$ 180,111	\$	\$ 180,111
Accrued Interest Payable				6,698	6,698
Due to Other Funds		42,718	42,718	(42,718)	
Long-Term Liabilities:					
Bonds Payable, Due Within One Year				150,000	150,000
Bonds Payable, Due After One Year				<u>2,295,000</u>	<u>2,295,000</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 166,623</u>	<u>\$ 56,206</u>	<u>\$ 222,829</u>	<u>\$ 2,408,980</u>	<u>\$ 2,631,809</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property Taxes	\$ 28,661	\$ 15,397	\$ 44,058	\$ (44,058)	\$ - 0 -
<b>FUND BALANCES</b>					
Nonspendable Operating Advance	\$ 46,852	\$	\$ 46,852	\$ (46,852)	\$
Restricted for Debt Service		394,195	394,195	(394,195)	
Unassigned	<u>4,495,309</u>		<u>4,495,309</u>	<u>(4,495,309)</u>	
<b>TOTAL FUND BALANCES</b>	<u>\$ 4,542,161</u>	<u>\$ 394,195</u>	<u>\$ 4,936,356</u>	<u>\$ (4,936,356)</u>	<u>\$ - 0 -</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
	<u>\$ 4,737,445</u>	<u>\$ 465,798</u>	<u>\$ 5,203,243</u>		
<b>NET POSITION</b>					
Net Investment in Capital Assets				\$ 2,982,287	\$ 2,982,287
Restricted for Debt Service				424,876	424,876
Unrestricted				<u>4,570,822</u>	<u>4,570,822</u>
<b>TOTAL NET POSITION</b>				<u>\$ 7,977,985</u>	<u>\$ 7,977,985</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**MARCH 31, 2023**

Total Fund Balances - Governmental Funds	\$	4,936,356
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		5,427,287
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2022 and prior tax levies became part of recognized revenue in the governmental activities of the District.		66,040
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (6,698)	
Bonds Payable	<u>(2,445,000)</u>	<u>(2,451,698)</u>
Total Net Position - Governmental Activities		<u>\$ 7,977,985</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED MARCH 31, 2023**

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
<b>REVENUES</b>					
Property Taxes	\$ 881,787	\$ 283,503	\$ 1,165,290	\$ 4,715	\$ 1,170,005
Water Service	304,696		304,696		304,696
Wastewater Service	220,560		220,560		220,560
Water Authority Fees	727,694		727,694		727,694
Investment and Miscellaneous Revenues	<u>135,682</u>	<u>10,577</u>	<u>146,259</u>	<u>2,689</u>	<u>148,948</u>
<b>TOTAL REVENUES</b>	<u>\$ 2,270,419</u>	<u>\$ 294,080</u>	<u>\$ 2,564,499</u>	<u>\$ 7,404</u>	<u>\$ 2,571,903</u>
<b>EXPENDITURES/EXPENSES</b>					
Service Operations:					
Professional Fees	\$ 152,501	\$ 1,154	\$ 153,655		\$ 153,655
Contracted Services	121,908	32,517	154,425		154,425
Purchased Water Service	470,879		470,879		470,879
Purchased Wastewater Service	260,721		260,721		260,721
Utilities	81,399		81,399		81,399
Water Authority Pumpage Fees	248,941		248,941		248,941
Repairs and Maintenance	227,092		227,092		227,092
Depreciation				324,666	324,666
Other	113,113	5,355	118,468		118,468
Capital Outlay	77,878		77,878	(77,878)	
Debt Service:					
Bond Principal		145,000	145,000	(145,000)	
Bond Interest		<u>82,005</u>	<u>82,005</u>	<u>(272)</u>	<u>81,733</u>
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 1,754,432</u>	<u>\$ 266,031</u>	<u>\$ 2,020,463</u>	<u>\$ 101,516</u>	<u>\$ 2,121,979</u>
<b>NET CHANGE IN FUND BALANCES</b>	\$ 515,987	\$ 28,049	\$ 544,036	\$ (544,036)	\$
<b>CHANGE IN NET POSITION</b>				449,924	449,924
<b>FUND BALANCES/NET POSITION - APRIL 1, 2022</b>	<u>4,026,174</u>	<u>366,146</u>	<u>4,392,320</u>	<u>3,135,741</u>	<u>7,528,061</u>
<b>FUND BALANCES/NET POSITION - MARCH 31, 2023</b>	<u>\$ 4,542,161</u>	<u>\$ 394,195</u>	<u>\$ 4,936,356</u>	<u>\$ 3,041,629</u>	<u>\$ 7,977,985</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2023**

Net Change in Fund Balances - Governmental Funds	\$	544,036
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		4,715
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Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		2,689
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Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(324,666)
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Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		77,878
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Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		145,000
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Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		272
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Change in Net Position - Governmental Activities	\$	<u>449,924</u>
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The accompanying notes to the financial statements are an integral part of this report.

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**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

**NOTE 1. CREATION OF DISTRICT**

Harris County Municipal Utility District No. 264 (the “District”) was created effective March 21, 1984, by an Order of the Texas Water Commission now known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, and solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or to employ its own peace officers with powers to make arrests, and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on March 22, 1984, and the first bonds were delivered on July 25, 1985.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local 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 statement as component units.

The District is a participant in the joint operations of a wastewater treatment plant. Oversight of the joint facility is by Harris County Municipal Utility District No. 70. Additional disclosure concerning this joint facility is provided in Note 8. Copies of financial statements for Harris County Municipal Utility District No. 70, which include the above-mentioned facilities, are available at the office of Schwartz, Page and Harding, L.L.P.

Financial Statement Presentation

These financial statements have been prepared in accordance with Governmental Accounting Standards Board GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted.

These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of net position imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of net position that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements. The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position. The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses of the government-wide Statements of Activities.



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Financial Statements

The District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has two governmental funds and considers each to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Debt Service Fund – To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources and uses and loans by one fund to another fund are reported as interfund receivables and payables. As of March 31, 2023, the District recorded a liability from the Debt Service Fund to the General Fund of \$42,718 for maintenance tax collections. This interfund liability is a result of a timing difference between tax collections and transfers.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$10,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. District infrastructure is depreciated over periods ranging from 10 to 45 years.

Budgeting

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. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund present the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources.

Fund balances are classified in governmental funds using the following hierarchy:

*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.

*Restricted*: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

*Committed*: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District has no 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 has no assigned fund balances.

*Unassigned*: all other spendable amounts in the General Fund.

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

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

**NOTE 3. LONG-TERM DEBT**

	Series 2015
Amount Outstanding - March 31, 2023	\$ 2,445,000
Interest Rates	2.35% - 3.75%
Maturity Dates – Serially Beginning/Ending	September 1, 2023/2035
Interest Payment Dates	September 1/ March 1
Callable Dates	September 1, 2022*

\* Or any date thereafter, in whole or in part, at a price equal to the principal amount to be redeemed plus accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2015 term bonds maturing on September 1, 2026, September 1, 2028, September 1, 2030, September 1, 2033 and September 1, 2035, are subject to mandatory redemption beginning September 1, 2025, September 1, 2027, September 1, 2029, September 1, 2032, and September 1, 2034, respectively.

The following is a summary of transactions regarding bonds payable for the year ended March 31, 2023:

	April 1, 2022	Additions	Retirements	March 31, 2023
Bonds Payable	\$ 2,590,000	\$ -0-	\$ 145,000	\$ 2,445,000
		Amount Due Within One Year		\$ 150,000
		Amount Due After One Year		2,295,000
		Total Bonds Payable		\$ 2,445,000

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

**NOTE 3. LONG-TERM DEBT (Continued)**

As of March 31, 2023, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 150,000	\$ 78,611	\$ 228,611
2025	155,000	74,912	229,912
2026	165,000	70,499	235,499
2027	170,000	65,475	235,475
2028	175,000	60,189	235,189
2029-2033	965,000	209,724	1,174,724
2034-2036	665,000	37,835	702,835
	<u>\$ 2,445,000</u>	<u>\$ 597,245</u>	<u>\$ 3,042,245</u>

The District has \$15,000,000 authorized but unissued bonds for utilities or refunding purposes. The District has authorized but unissued bonds for parks and recreational facilities of \$4,500,000. The bonds are payable from the proceeds of an ad valorem tax levied on all property subject to taxation within the District, without limitation as to rate or amount.

During the year ended March 31, 2023, the District levied an ad valorem debt service tax rate of \$0.089 per \$100 of assessed valuation, which resulted in a tax levy of \$284,910 on the adjusted taxable valuation of \$320,125,358 for the 2022 tax year. The Bond Resolution requires the District to 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. See Note 7 for the maintenance tax levy.

All property values and exempt status, if any, are determined by the 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.

**NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS**

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross debt proceeds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of the debt.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

**NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS**  
(Continued)

The Bond Resolution states that the District is required to provide to the Municipal Securities Rulemaking Board continuing disclosure of annual financial information and operating data with respect to the District. The information is of the general type included in the annual audit report and must be filed within six months after the end of each audit period of the District.

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$219,031 and the bank balance was \$223,110. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at March 31, 2023, as listed below:

	Cash
GENERAL FUND	\$ 108,210
DEBT SERVICE FUND	110,821
TOTAL DEPOSITS	\$ 219,031

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Hermes manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, the District measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

The District also invests in Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), an external investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. UMB Bank, N.A. serves as custodian of the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

As of March 31, 2023, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 year
<u>GENERAL FUND</u>		
TexPool	\$ 1,661,529	\$ 1,661,529
Texas CLASS	2,740,975	2,740,975
<u>DEBT SERVICE FUND</u>		
TexPool	339,580	339,580
<b>TOTAL INVESTMENTS</b>	<b>\$4,742,084</b>	<b>\$4,742,084</b>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2023, the District's investments in TexPool and Texas CLASS were rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and Texas CLASS to have maturities of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2023, is as follows:

	April 1, 2022	Increases	Decreases	March 31, 2023
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 96,043	\$ - 0 -	\$ - 0 -	\$ 96,043
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 7,138,915	\$ 23,961	\$	\$ 7,162,876
Wastewater System	3,246,163			3,246,163
Capacity in HCM 70 Facilities	1,581,646	53,917		1,635,563
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 11,966,724</u>	<u>\$ 77,878</u>	<u>\$ - 0 -</u>	<u>\$ 12,044,602</u>
<b>Accumulated Depreciation</b>				
Water System	\$ 3,910,438	\$ 171,545	\$	\$ 4,081,983
Wastewater System	1,589,583	104,052		1,693,635
Capacity in HCM 70 Facilities	888,671	49,069		937,740
<b>Total Accumulated Depreciation</b>	<u>\$ 6,388,692</u>	<u>\$ 324,666</u>	<u>\$ - 0 -</u>	<u>\$ 6,713,358</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 5,578,032</u>	<u>\$ (246,788)</u>	<u>\$ - 0 -</u>	<u>\$ 5,331,244</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 5,674,075</u>	<u>\$ (246,788)</u>	<u>\$ - 0 -</u>	<u>\$ 5,427,287</u>

**NOTE 7. MAINTENANCE TAX**

At elections held on April 7, 1984, and November 7, 2017, the voters of the District approved the levy and collection of a maintenance tax not to exceed an aggregate of \$0.50 per \$100 of assessed valuation of taxable property within the District. During the year ended March 31, 2023, the District levied an ad valorem maintenance tax rate of \$0.277 per \$100 of assessed valuation, which resulted in a tax levy of \$886,743 on the adjusted taxable valuation of \$320,125,358 for the 2022 tax year. This maintenance tax is placed in the General Fund to be used for any lawful purpose(s).

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

**NOTE 8. WASTE DISPOSAL AGREEMENT**

On January 23, 1991, the District executed a Restated Waste Disposal Agreement (“Original Agreement”) with Harris County Municipal Utility District No. 70 (“District No. 70”) and Harris County Municipal Utility District No. 144. This agreement replaced two agreements between the District and District No. 70, dated April 26, 1984, and December 20, 1984, for the operation of a jointly owned wastewater treatment facility. The agreement expires on January 31, 2052.

The Original Agreement was amended on May 27, 1992, January 24, 1995, July 26, 2001, March 1, 2008, and September 19, 2022, and was supplemented and amended by a SUPPLEMENT AND LIMITED AMENDMENT TO (1) Restated Waste Disposal Agreement, as amended, between Harris County Municipal Utility District No. 70, Harris County Municipal Utility District No. 144 and Harris County Municipal Utility District No. 264, and (2) Joint Sanitary Sewer Agreement between Harris County Municipal Utility District No. 70 and Harris County Municipal Utility District No. 144 (“Supplement”) dated June 1, 2011.

The Supplement is the result of: (1) a determination by the participants that MUD 70 had been billing the District for a portion of the maintenance and operating costs related to an on-site lift station (“Lift Station”) at the wastewater treatment plant (“WWTP”), even though neither the Original Agreement nor any amendments to it provided for such charges; and (2) an agreement among the participants, that the Lift Station does provide a recycle pumping service for the WWTP and that to compensate for this service, the District will participate in those costs on a pro rata basis. The overcharges for the Lift Station costs were resolved by a Settlement Agreement and Mutual Release effective June 1, 2011, under which the District received \$47,892.79. Going forward under the Supplement and the Original Agreement, the District is responsible for its pro rata share of the WWTP’s portion of the maintenance and operating costs of the Lift Station, subject to review and possible revision by the WWTP engineer on a bi-annual basis.

Pursuant to the Supplement and the Original Agreement, the capacity of the WWTP is 1,500,000 gallons, and District No. 70 holds legal title to the WWTP for the benefit of all participants. The District, along with the other participants, has an undivided equitable interest in the WWTP and owns capacity in the WWTP as follows:

	<u>Capacity</u>	<u>Percentage of Total Capacity</u>
Harris County Municipal Utility District No. 70	667,000 gpd	44.47%
Harris County Municipal Utility District No. 144	333,000 gpd	22.20
Harris County Municipal Utility District No. 264	<u>500,000 gpd</u>	<u>33.33</u>
TOTAL	<u>1,500,000 gpd</u>	<u>100.00%</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

**NOTE 8. WASTE DISPOSAL AGREEMENT (Continued)**

Effective April 20, 2022, the District implemented an Amended Order Regulating the Introduction of Wastewater into the Sanitary Sewer System of the District (“NDWO”). In summary, the NDWO provides for testing of the waste discharged (or to be discharged) into the sanitary sewer system and for the possible imposition of fees for users that discharge non-compliant wastes. All participants in the WWTP have similar orders.

The WWTP is under the supervision of District No. 70. The following summary of audited financial data on the WWTP is obtained from District No. 70 and presented for its fiscal year ended September 30, 2022.

	Special Revenue Fund
Total Assets	\$ 251,699
Total Liabilities	<u>189,686</u>
Total Fund Balance	<u>\$ 62,013</u>
Total Revenues	\$ 998,933
Total Expenditures	<u>927,411</u>
Revenues less Expenditures	\$ 71,522
Other Financing Uses	<u>(101,790)</u>
Net Change in Fund Balance	\$ (30,268)
Fund Balance, Beginning of Year	<u>92,281</u>
Fund Balance, End of Year	<u>\$ 62,013</u>

Each participant is billed monthly for its pro-rata share of operating costs of the WWTP and the Lift Station in accordance with the percentages outlined in the agreement. For the year ended March 31, 2023, the District paid \$257,506 for operating and capital costs related to the joint facilities. The District has advanced \$46,852 to District No. 70 as an operating reserve.

**NOTE 9. EMERGENCY WATER SUPPLY AGREEMENTS**

The District has emergency water supply agreements (“ESA” or “ESAs”) with Harris County Municipal Utility District Nos. 208, 70, 144, and 173 and Langham Creek Utility District.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

**NOTE 9. EMERGENCY WATER SUPPLY AGREEMENTS (Continued)**

**ESA with Harris County Municipal Utility District No. 208 (District No. 208)**

On June 21, 1990, the District executed an emergency water supply agreement with District No. 208 (District No. 208 ESA). The participants agree to pay for water supplied at a rate of \$1.00 per 1,000 gallons of water. The term of this agreement is 40 years. On September 21, 2001, the District executed the First Amendment to the District No. 208 ESA to provide for an additional charge per 1,000 gallons pumped equal to the amount charged by the West Harris County Regional Water Authority.

**ESA with Harris County Municipal Utility District Nos. 70/144**

On September 23, 1999, the District entered into a Restated Emergency Water Supply Contract with District No. 70 and Harris County Municipal Utility District No. 144 (District No. 144). The agreement superseded and specifically terminated all prior agreements among the districts, including the agreement dated August 28, 1986, (as amended on July 25, 1996), between the District and District No. 70 and the agreement dated September 6, 1995, between the District and District No. 144. On November 19, 2001, the District executed the First Amendment to the District No. 70/144 ESA to provide for the cost of the purchase of surface water as may be imposed by a regional water authority or other governmental entity. Subject to termination as specified in it, the term of the contract is for one year and continues thereafter from year to year.

**ESA with District No. 70**

On April 26, 2001, the District entered into an emergency water supply contract with District No. 70. The first amendment to the agreement became effective January 1, 2010. The purpose of the amendment was to provide the direct interconnect between District No. 70 and the District as the primary emergency source, and to use District No. 144's connection to both the District and District No. 70 as secondary. Subject to termination as specified in it, the agreement is in effect for 50 years.

**ESA with Harris County Municipal Utility District 173 ("District No. 173")**

On February 3, 1993, the District and District No. 173 executed an Emergency Water Supply Contract, which was superseded and replaced by an Amended and Restated Emergency Water Supply Contract ("Current 173 ESA"), dated December 28, 2011. The Current 173 ESA documents a second point of interconnection and amends the water rate to include any fees charged by the West Harris County Regional Water Authority, in addition to the rate of \$0.65 per 1000 gallons established under the original ESA. Subject to termination as specified in it, Current 173 ESA is in effect for 40 years from May 11, 1993, the date of commencement of the original agreement.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

**NOTE 9. EMERGENCY WATER SUPPLY AGREEMENTS (Continued)**

**ESA with Langham Creek Utility District**

On June 20, 2001, the District entered into an emergency water supply contract with Langham Creek Utility District (Langham ESA). Subject to termination as specified in it, the term of the contract is 50 years.

**NOTE 10. WATER, SEWER AND DRAINAGE SERVICES CONTRACT**

On December 20, 1984, the District executed an agreement with the Cypress-Fairbanks Independent School District (the “School District”) to provide water, sewer and drainage services to a complex of facilities located outside the boundaries of the District. On January 19, 2016, the parties executed a First Amendment to the agreement which extended the term to December 20, 2054, and from year to year thereafter.

The District will be obligated to treat sewage from the complex up to the maximum average amount of 80,000 gallons per day in accordance with the terms of the Restated Waste Disposal Agreement, (see Note 8). The District bills the School District as if it were a participant in the WWTP. Per the water supply portion of the contract, the District shall not be obligated to supply more than 96,000 gallons per day based upon a 30-day average and maintains and operates a water line installed by the School District. The School District agreed to be billed at the same rate billed an in-district single family residential user of the District.

Under the provisions attributable to drainage, the School District is entitled to drain the northern 26.3 acres of its complex into the District’s drainage system. The School District is responsible for the drainage of the southern portion of its property. In prior years, the School District made certain capital contributions to the District in the amount of \$256,507 for the District’s cost of the District’s water plant and capacity purchased in the WWTP to benefit the School District.

**NOTE 11. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY**

The District is located within the boundaries of the West Harris County Regional Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the “Act”), as passed by the 77th Texas Legislature, in 2001. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

**NOTE 11. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY**  
(Continued)

The Authority is responsible for overseeing that its participants comply with subsidence district pumpage requirements. The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current fee per 1,000 gallons of water pumped from each well is \$3.95. The District recorded expenditures of \$248,941 for pumpage fees assessed during the year ended March 31, 2023. In addition, the District purchased surface water from the Authority. The current cost per 1,000 gallons of surface water is \$4.35. The District recorded expenditures of \$470,879 for purchased surface water during the year ended March 31, 2023.

**NOTE 12. 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 natural disasters. The District carries commercial insurance for its fidelity bonds. The District also participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, boiler and machinery, general liability, automobile liability, pollution liability, directors and officers liability and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. There have been no reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT**

The District entered into a Strategic Partnership Agreement (the "SPA") with the City of Houston, effective April 9, 2007, pursuant to Chapter 43, Texas Local Government Code. The SPA provides for a "limited purpose annexation" of portions of the District developed for retail and commercial purposes. Residential development within the District is not included in the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" for at least 30 years from the effective date of the SPA.

Under the SPA, the City is authorized to impose the one percent retail City sales tax within the portion of the District included in the limited purpose annexation. The SPA also provides that the City will pay to the District an amount equal to one-half of all retail sales tax revenues generated within such area of the District and received by the City from the Comptroller (herein defined as the "Contract Sales Tax Revenue"). During the year ended March 31, 2023, the District received no Contract Sales Tax Revenues.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**

**REQUIRED SUPPLEMENTARY INFORMATION**

**MARCH 31, 2023**





**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2023**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 807,700	\$ 881,787	\$ 74,087
Water Service	289,000	304,696	15,696
Wastewater Service	220,000	220,560	560
Water Authority Fees	643,000	727,694	84,694
Investment and Miscellaneous Revenues	<u>20,800</u>	<u>135,682</u>	<u>114,882</u>
<b>TOTAL REVENUES</b>	<b>\$ 1,980,500</b>	<b>\$ 2,270,419</b>	<b>\$ 289,919</b>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 157,200	\$ 152,501	\$ 4,699
Contracted Services	108,800	121,908	(13,108)
Purchased Wastewater Service	200,000	260,721	(60,721)
Utilities	84,000	81,399	2,601
Water Authority Costs	643,000	719,820	(76,820)
Repairs and Maintenance	381,600	227,092	154,508
Other	138,715	113,113	25,602
Capital Outlay	<u>266,980</u>	<u>77,878</u>	<u>189,102</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,980,295</b>	<b>\$ 1,754,432</b>	<b>\$ 225,863</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 205</b>	<b>\$ 515,987</b>	<b>\$ 515,782</b>
<b>FUND BALANCE - APRIL 1, 2022</b>	<u>4,026,174</u>	<u>4,026,174</u>	<u>          </u>
<b>FUND BALANCE - MARCH 31, 2023</b>	<u><u>\$ 4,026,379</u></u>	<u><u>\$ 4,542,161</u></u>	<u><u>\$ 515,782</u></u>

See accompanying independent auditor's report.

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**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**

**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**MARCH 31, 2023**





**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264  
SERVICES AND RATES  
FOR THE YEAR ENDED MARCH 31, 2023**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ <sup>3</sup> / <sub>4</sub> "	<u>1,043</u>	<u>1,043</u>	x 1.0	<u>1,043</u>
1"	<u>192</u>	<u>192</u>	x 2.5	<u>480</u>
1½"	<u>2</u>	<u>2</u>	x 5.0	<u>10</u>
2"	<u>13</u>	<u>13</u>	x 8.0	<u>104</u>
3"	<u>2</u>	<u>2</u>	x 15.0	<u>30</u>
4"	<u>3</u>	<u>3</u>	x 25.0	<u>75</u>
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>1,255</u></u>	<u><u>1,255</u></u>		<u><u>1,742</u></u>
Total Wastewater Connections	<u><u>1,191</u></u>	<u><u>1,191</u></u>	x 1.0	<u><u>1,191</u></u>

**3. TOTAL WATER CONSUMPTION DURING THE CURRENT YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)**

Gallons pumped into system:	66,439,000	Water Accountability Ratio: 93.6 %* (Gallons billed/Gallons pumped and purchased)
Gallons billed to customers:	168,059,000	
Gallons purchased:	113,107,000	From: <u>West Harris County Regional Water Authority</u>

\* According to the District's operator, accountability can vary according to the timing of residential and water plant meter readings. Additionally, since the District receives surface water from the West Harris County Regional Water Authority, accountability can be affected by the accuracy of the surface water meter.

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264  
SERVICES AND RATES  
FOR THE YEAR ENDED MARCH 31, 2023**

**4. STANDBY FEES** (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes  No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes  No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely  Partly  Not at all

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

Entirely  Partly  Not at all

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes  No

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED MARCH 31, 2023**

PROFESSIONAL FEES:	
Auditing	\$ 16,500
Engineering	68,839
Legal	<u>67,162</u>
TOTAL PROFESSIONAL FEES	<u>\$ 152,501</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 470,879
Purchased Wastewater Service	<u>260,721</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 731,600</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 21,978
Operations and Billing	<u>99,930</u>
TOTAL CONTRACTED SERVICES	<u>\$ 121,908</u>
UTILITIES	<u>\$ 81,399</u>
REPAIRS AND MAINTENANCE	<u>\$ 227,092</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 18,247
Insurance	24,576
Office Supplies and Postage	4,619
Arbitrage Reporting, Website Maintenance, and Other	<u>30,473</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 77,915</u>
CAPITAL OUTLAY	<u>\$ 77,878</u>
OTHER EXPENDITURES:	
Chemicals	\$ 6,846
Laboratory Fees	15,651
Permit Fees	3,075
Inspection Fees	7,033
Water Authority Pumpage Fees	248,941
Regulatory Assessment	<u>2,593</u>
TOTAL OTHER EXPENDITURES	<u>\$ 284,139</u>
TOTAL EXPENDITURES	<u>\$ 1,754,432</u>

See accompanying independent auditor's report.



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264  
INVESTMENTS  
MARCH 31, 2023**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 1,661,529	\$
Texas CLASS	XXXX0001	Varies	Daily	<u>2,740,975</u>	<u>                    </u>
TOTAL GENERAL FUND				<u>\$ 4,402,504</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0005	Varies	Daily	<u>\$ 339,580</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u><u>\$ 4,742,084</u></u>	<u><u>\$ - 0 -</u></u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED MARCH 31, 2023**

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
Taxes Receivable - April 1, 2022	\$ 24,891	\$ 14,452
Adjustments to Beginning balance	<u>(1,186)</u>	<u>(462)</u>
	\$ 23,705	\$ 13,990
2022 Tax Levy, Including Adjustments	<u>886,743</u>	<u>284,910</u>
Total to be Accounted for	\$ 910,448	\$ 298,900
<b>TAX COLLECTIONS</b>		
Prior Years	\$ 8,769	\$ 3,003
Current Year	<u>873,018</u>	<u>280,500</u>
Tax Collections	<u>881,787</u>	<u>283,503</u>
Taxes Receivable - March 31, 2023	<u><u>\$ 28,661</u></u>	<u><u>\$ 15,397</u></u>
<b>Taxes Receivable by year:</b>		
2022	\$ 13,725	\$ 4,410
2021	2,342	803
2020	2,195	781
2019	1,314	484
2018	1,161	476
2017 and prior	<u>7,924</u>	<u>8,443</u>
Total	<u><u>\$ 28,661</u></u>	<u><u>\$ 15,397</u></u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED MARCH 31, 2023**

	2022	2021	2020	2019
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 60,304,434	\$ 60,255,230	\$ 48,583,793	\$ 46,519,865
Improvements	273,570,778	237,043,797	228,372,601	219,612,507
Personal Property	4,828,172	3,414,254	3,070,304	2,762,128
Exemptions	(18,578,026)	(16,160,159)	(15,398,856)	(15,096,430)
<b>TOTAL PROPERTY VALUATIONS</b>	<b>\$ 320,125,358</b>	<b>\$ 284,553,122</b>	<b>\$ 264,627,842</b>	<b>\$ 253,798,070</b>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.089	\$ 0.097	\$ 0.105	\$ 0.109
Maintenance	0.277	0.283	0.295	0.296
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<b>\$ 0.366</b>	<b>\$ 0.380</b>	<b>\$ 0.400</b>	<b>\$ 0.405</b>
<b>ADJUSTED TAX LEVY*</b>	<b>\$ 1,171,653</b>	<b>\$ 1,081,296</b>	<b>\$ 1,058,507</b>	<b>\$ 1,027,876</b>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>				
	<b>98.45 %</b>	<b>99.71 %</b>	<b>99.72 %</b>	<b>99.83 %</b>

\* Based upon adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$0.50 per \$100 of assessed valuation approved by voters on April 7, 1984 and November 7, 2017.

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**MARCH 31, 2023**

S E R I E S - 2 0 1 5

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$ 150,000	\$ 78,611	\$ 228,611
2025	155,000	74,912	229,912
2026	165,000	70,499	235,499
2027	170,000	65,475	235,475
2028	175,000	60,189	235,189
2029	180,000	54,643	234,643
2030	185,000	48,731	233,731
2031	195,000	42,366	237,366
2032	200,000	35,600	235,600
2033	205,000	28,384	233,384
2034	215,000	20,772	235,772
2035	220,000	12,750	232,750
2036	230,000	4,313	234,313
	<u>\$ 2,445,000</u>	<u>\$ 597,245</u>	<u>\$ 3,042,245</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264  
CHANGES IN LONG-TERM BOND DEBT  
FOR THE YEAR ENDED MARCH 31, 2023**

Description	Original Bonds Issued	Bonds Outstanding April 1, 2022	Current Year Transactions		Bonds Outstanding March 31, 2023	Paying Agent
			Bonds Sold	Retirements Principal      Interest		
Harris County Municipal Utility District No. 264 Unlimited Tax Bonds - Series 2015	\$ 3,375,000	\$ 2,590,000	\$ - 0 -	\$ 145,000      \$ 82,005	\$ 2,445,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
Bond Authority:	Tax and/or Refunding Bonds	Park Bonds				
Amount Authorized by Voters	\$ 30,700,000	\$ 4,500,000				
Amount Issued	<u>15,700,000</u>	<u>                    </u>				
Remaining to be Issued	<u>\$ 15,000,000</u>	<u>\$ 4,500,000</u>				
Debt Service Fund cash and investment balances as of March 31, 2023:		<u>\$ 450,401</u>				
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 234,019</u>				

See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
GENERAL FUND - FIVE YEARS**

	Amounts					Percentage of Total Revenues				
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
<b>REVENUES</b>										
Property Taxes	\$ 881,787	\$ 800,407	\$ 783,236	\$ 748,748	\$ 671,297	38.8 %	43.2 %	40.3 %	38.4 %	38.0 %
Water Service	304,696	256,449	292,930	304,634	280,403	13.4	13.9	15.0	15.6	15.9
Wastewater Service	220,560	220,704	220,820	219,996	220,427	9.7	11.9	11.3	11.3	12.5
Water Authority Fees	727,694	558,452	620,862	596,855	509,983	32.1	30.2	31.8	30.6	28.9
Investment and Miscellaneous Revenues	135,682	14,897	31,886	79,304	82,123	6.0	0.8	1.6	4.1	4.7
<b>TOTAL REVENUES</b>	<b>\$ 2,270,419</b>	<b>\$ 1,850,909</b>	<b>\$ 1,949,734</b>	<b>\$ 1,949,537</b>	<b>\$ 1,764,233</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>
<b>EXPENDITURES</b>										
Professional Fees	\$ 152,501	\$ 133,046	\$ 166,689	\$ 149,813	\$ 163,781	6.7 %	7.2 %	8.5 %	7.7 %	9.3 %
Purchased and Contracted Services	853,508	780,070	692,509	676,630	623,565	37.6	42.1	35.5	34.7	35.3
Utilities	81,399	74,651	80,465	62,999	70,718	3.6	4.0	4.1	3.2	4.0
Water Authority Pumpage Fees	248,941	66,198	151,522	144,602	122,395	11.0	3.6	7.8	7.4	6.9
Repairs and Maintenance	227,092	256,975	283,414	693,423	255,092	10.0	13.9	14.5	35.6	14.5
Other	113,113	121,163	98,777	103,386	94,708	5.0	6.5	5.1	5.3	5.4
Capital Outlay	77,878	96,944	82,188	151,928	184,344	3.4	5.2	4.2	7.8	10.4
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,754,432</b>	<b>\$ 1,529,047</b>	<b>\$ 1,555,564</b>	<b>\$ 1,982,781</b>	<b>\$ 1,514,603</b>	<b>77.3 %</b>	<b>82.5 %</b>	<b>79.7 %</b>	<b>101.7 %</b>	<b>85.8 %</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 515,987</b>	<b>\$ 321,862</b>	<b>\$ 394,170</b>	<b>\$ (33,244)</b>	<b>\$ 249,630</b>	<b>22.7 %</b>	<b>17.5 %</b>	<b>20.3 %</b>	<b>(1.7) %</b>	<b>14.2 %</b>
<b>BEGINNING FUND BALANCE</b>	<b>4,026,174</b>	<b>3,704,312</b>	<b>3,310,142</b>	<b>3,343,386</b>	<b>3,093,756</b>					
<b>ENDING FUND BALANCE</b>	<b>\$ 4,542,161</b>	<b>\$ 4,026,174</b>	<b>\$ 3,704,312</b>	<b>\$ 3,310,142</b>	<b>\$ 3,343,386</b>					

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
DEBT SERVICE FUND - FIVE YEARS**

	Amounts					Percentage of Total Revenues				
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
<b>REVENUES</b>										
Property Taxes	\$ 283,503	\$ 274,447	\$ 278,902	\$ 276,243	\$ 275,790	96.4 %	98.8 %	98.3 %	96.8 %	96.9 %
Investment and Miscellaneous Revenues	<u>10,577</u>	<u>3,349</u>	<u>4,922</u>	<u>9,134</u>	<u>8,789</u>	<u>3.6</u>	<u>1.2</u>	<u>1.7</u>	<u>3.2</u>	<u>3.1</u>
<b>TOTAL REVENUES</b>	<u>\$ 294,080</u>	<u>\$ 277,796</u>	<u>\$ 283,824</u>	<u>\$ 285,377</u>	<u>\$ 284,579</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
<b>EXPENDITURES</b>										
Tax Collection Expenditures	\$ 38,276	\$ 38,998	\$ 44,483	\$ 35,663	\$ 40,716	13.0 %	14.0 %	15.7 %	12.5 %	14.3 %
Debt Service Principal	145,000	140,000	135,000	135,000	130,000	49.3	50.4	47.6	47.3	45.7
Debt Service Interest and Fees	<u>82,755</u>	<u>85,856</u>	<u>88,676</u>	<u>91,376</u>	<u>94,026</u>	<u>28.1</u>	<u>30.9</u>	<u>31.2</u>	<u>32.0</u>	<u>33.0</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 266,031</u>	<u>\$ 264,854</u>	<u>\$ 268,159</u>	<u>\$ 262,039</u>	<u>\$ 264,742</u>	<u>90.4 %</u>	<u>95.3 %</u>	<u>94.5 %</u>	<u>91.8 %</u>	<u>93.0 %</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 28,049</u>	<u>\$ 12,942</u>	<u>\$ 15,665</u>	<u>\$ 23,338</u>	<u>\$ 19,837</u>	<u>9.6 %</u>	<u>4.7 %</u>	<u>5.5 %</u>	<u>8.2 %</u>	<u>7.0 %</u>
<b>BEGINNING FUND BALANCE</b>	<u>366,146</u>	<u>353,204</u>	<u>337,539</u>	<u>314,201</u>	<u>294,364</u>					
<b>ENDING FUND BALANCE</b>	<u>\$ 394,195</u>	<u>\$ 366,146</u>	<u>\$ 353,204</u>	<u>\$ 337,539</u>	<u>\$ 314,201</u>					
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>1,255</u>	<u>1,253</u>	<u>1,252</u>	<u>1,254</u>	<u>1,253</u>					
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>1,191</u>	<u>1,189</u>	<u>1,188</u>	<u>1,190</u>	<u>1,189</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
MARCH 31, 2023**

District Mailing Address - Harris County Municipal Utility District No. 264  
c/o Allen Boone Humphries Robinson LLP  
3200 Southwest Freeway, Suite 2600  
Houston, TX 77027

District Telephone Number - (713) 860-6400

<b>Board Members</b>	Term of Office (Elected or <u>Appointed</u> )	Fees of Office for the year ended <u>March 31, 2023</u>	Expense Reimbursements for the year ended <u>March 31, 2023</u>	<u>Title</u>
Russell Appelget	05/20 - 05/24 (Elected)	\$ 4,650	\$ 690	President
Jose F. Nava	05/22 - 05/26 (Elected)	\$ 2,250	\$ 370	Vice President
Charles E. Brandman	05/20 - 05/24 (Elected)	\$ 4,350	\$ 1,189	Assistant Vice President
Donnice Hoffman	05/22 - 05/26 (Elected)	\$ 3,300	\$ 2,337	Secretary
Patty Rodriguez	05/22 - 05/26 (Elected)	\$ 2,400	\$ 1,498	Assistant Secretary

Notes: No Director has any business or family relationships with major landowners in the District, with the District's developers or with any of the District's consultants, except as otherwise disclosed.

Submission date of most recent District Registration Form: October 19, 2022

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on July 18, 2001. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**MARCH 31, 2023**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended March 31, 2023</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	07/27/03	\$ 67,162	General Counsel
McCall Gibson Swedlund Barfoot PLLC	09/18/91	\$ 16,500	Auditor
District Data Services, Inc.	09/04/90	\$ 21,978	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/06/96	\$ 1,154	Delinquent Tax Attorney
Quiddity Engineering.	03/22/84	\$ 68,840	Engineer
Masterson Advisors, LLC	04/18/18	\$ -0-	Financial Advisor
Wendy Austin	10/18/06	\$ -0-	Investment Officer
Stephanie Viator	10/18/06	\$ -0-	Investment Officer
Inframark Water and Infrastructure Services	02/20/97	\$ 356,009	Operator
Wheeler & Associates, Inc.	04/26/84	\$ 27,229	Tax Assessor/ Collector

See accompanying independent auditor's report.

