

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

OCTOBER 31, 2023

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McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

PO Box 29584
Austin, TX 78755-5126
(512) 610-2209
www.mgsbpllc.com
E-Mail: mgsb@mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fort Bend County Municipal
Utility District No. 2
Fort Bend County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 2 (the "District") as of and for the year ended October 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 October 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
Fort Bend County Municipal Utility District No. 2

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

February 27, 2024

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED OCTOBER 31, 2023

Management’s discussion and analysis of the financial performance of Fort Bend County Municipal Utility District No. 2 (the “District”) provides an overview of the District’s financial activities for the fiscal year ended October 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 like 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 the District’s assets, liabilities, deferred inflows of resources and deferred outflows of resources, 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 fiscal 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 three governmental fund types. The General Fund accounts for resources not accounted for in another fund, ad valorem taxes, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for resources restricted, committed or assigned for servicing bond debt. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED OCTOBER 31, 2023**

FUND FINANCIAL STATEMENTS

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 funds. 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 supplementary 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,421,672 as of October 31, 2023.

A portion of the District's net position reflects its net investment in capital assets which includes land and a vehicle as well as the water, wastewater and drainage facilities, and capacity interest in wastewater treatment facilities less any debt used to acquire those assets that is still outstanding.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED OCTOBER 31, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Summary of Changes in the Statement of Net Position		
	2023	2022	Change Positive (Negative)
Current and Other Assets	\$ 12,077,368	\$ 11,609,905	\$ 467,463
Capital Assets (Net of Accumulated Depreciation)	<u>16,606,710</u>	<u>17,360,959</u>	<u>(754,249)</u>
Total Assets	<u>\$ 28,684,078</u>	<u>\$ 28,970,864</u>	<u>\$ (286,786)</u>
Deferred Outflows of Resources	<u>\$ 438,522</u>	<u>\$ 469,014</u>	<u>\$ (30,492)</u>
Bonds Payable	\$ 19,157,938	\$ 19,742,758	\$ 584,820
Other Liabilities	<u>799,191</u>	<u>768,927</u>	<u>(30,264)</u>
Total Liabilities	<u>\$ 19,957,129</u>	<u>\$ 20,511,685</u>	<u>\$ 554,556</u>
Deferred Inflows of Resources	<u>\$ 2,743,799</u>	<u>\$ 2,541,516</u>	<u>\$ (202,283)</u>
Net Position:			
Net Investment in Capital Assets	\$ 2,082,483	\$ 2,610,791	\$ (528,308)
Restricted	1,442,600	1,326,114	116,486
Unrestricted	<u>2,896,589</u>	<u>2,449,772</u>	<u>446,817</u>
Total Net Position	<u><u>\$ 6,421,672</u></u>	<u><u>\$ 6,386,677</u></u>	<u><u>\$ 34,995</u></u>

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

	Summary of Changes in the Statement of Activities		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,533,733	\$ 2,205,704	\$ 328,029
Charges for Services	2,836,134	2,631,249	204,885
Other Revenues	<u>442,363</u>	<u>115,639</u>	<u>326,724</u>
Total Revenues	<u>\$ 5,812,230</u>	<u>\$ 4,952,592</u>	<u>\$ 859,638</u>
Expenses for Services	<u>5,777,235</u>	<u>5,147,954</u>	<u>(629,281)</u>
Change in Net Position	\$ 34,995	\$ (195,362)	\$ 230,357
Net Position, Beginning of Year	<u>6,386,677</u>	<u>6,582,039</u>	<u>(195,362)</u>
Net Position, End of Year	<u><u>\$ 6,421,672</u></u>	<u><u>\$ 6,386,677</u></u>	<u><u>\$ 34,995</u></u>

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED OCTOBER 31, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of October 31, 2023, were \$8,521,072, an increase of \$238,875 from the prior year.

The General Fund fund balance increased by \$449,512, primarily due to service revenues and tax revenues exceeding operating expenditures.

The Debt Service Fund fund balance increased by \$117,750, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$328,387. The District used bond proceeds received in a prior fiscal year to fund current year construction projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$283,698 more than budgeted revenues, actual expenditures were \$174,645 less than budgeted expenditures, and actual transfers out were \$30,531 more than budgeted. The result was a positive budget to actual variance of \$427,812. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets total \$16,606,710 as of October 31, 2023. Capital assets include land and a vehicle as well as water, wastewater and drainage facilities, and capacity interest in wastewater treatment facilities. Capital asset activity included ground storage tank and elevated storage tank rehabilitation projects and lift station no. 1 improvements.

Capital Assets At Year-End			
	2023	2022	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 189,782	\$ 189,782	\$
Construction in Progress	219,797	1,041,153	(821,356)
Capital Assets Subject to Depreciation:			
Water System	12,432,685	12,142,169	290,516
Wastewater System	11,319,277	10,957,071	362,206
Drainage System	4,804,182	4,804,182	
Vehicle	23,940	23,940	
Capacity in City of Houston WWTP	1,783,659	1,783,659	
Less Accumulated Depreciation	(14,166,612)	(13,580,997)	(585,615)
Total Net Capital Assets	\$ 16,606,710	\$ 17,360,959	\$ (754,249)

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED OCTOBER 31, 2023

LONG-TERM DEBT ACTIVITY

As of October 31, 2023, the District had total bond debt payable of \$18,745,000. The changes in the debt position of the District during the fiscal year ended October 31, 2023, are summarized as follows:

Bond Debt Payable, November 1, 2022	\$ 19,295,000
Less: Bond Principal Paid	<u>(550,000)</u>
Bond Debt Payable, October 31, 2023	<u>\$ 18,745,000</u>

The Series 2016 Refunding Bonds, Series 2021 and Series 2021A Refunding Bonds carry underlying ratings of “A3” by Moody’s Investors Service (“Moody’s”). The Series 2021 Bonds carry an insured rating of “AA” by S&P based on an insurance policy issued by Build America Mutual Assurance Company. The Series 2021A Refunding Bonds carry insured ratings of “A1/AA” by Moody’s and S&P based on an insurance policy issued by Assured Guaranty Municipal Corp. 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 FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Fort Bend County Municipal Utility District No. 2, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
OCTOBER 31, 2023

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 120,532	\$ 108,040
Investments	3,016,328	1,365,832
Receivables:		
Property Taxes	1,702,839	1,048,223
Penalty and Interest on Delinquent Taxes		
Service Accounts	401,069	
Accrued Interest	12,595	14,083
Other	2,032	
Due from Other Funds	37,601	
Prepaid Costs	21,242	
Due from Other Governments		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 5,314,238	\$ 2,536,178
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,314,238	\$ 2,536,178

The accompanying notes to basic financial statements are an integral part of this report.

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 2,670	\$ 231,242	\$	\$ 231,242
4,246,241	8,628,401		8,628,401
	2,751,062		2,751,062
	401,069	15,642	15,642
	26,678		401,069
	2,032		26,678
	37,601	(37,601)	2,032
	21,242		21,242
		189,782	189,782
		219,797	219,797
		<u>16,197,131</u>	<u>16,197,131</u>
<u>\$ 4,248,911</u>	<u>\$ 12,099,327</u>	<u>\$ 16,584,751</u>	<u>\$ 28,684,078</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 438,522</u>	<u>\$ 438,522</u>
<u>\$ 4,248,911</u>	<u>\$ 12,099,327</u>	<u>\$ 17,023,273</u>	<u>\$ 29,122,600</u>

The accompanying notes to basic financial statements are an integral part of this report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
OCTOBER 31, 2023

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 305,575	\$
Accrued Interest Payable		
Due to Other Funds		27,784
Security Deposits	409,902	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 715,477	\$ 27,784
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 1,721,581	\$ 1,059,691
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 21,242	\$
Restricted for Authorized Construction		
Restricted for Debt Service		1,448,703
Unassigned	2,855,938	
TOTAL FUND BALANCES	\$ 2,877,180	\$ 1,448,703
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,314,238	\$ 2,536,178
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to basic financial statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 43,905	\$ 349,480	\$	\$ 349,480
		39,809	39,809
9,817	37,601	(37,601)	
	409,902		409,902
		570,000	570,000
		18,587,938	18,587,938
<u>\$ 53,722</u>	<u>\$ 796,983</u>	<u>\$ 19,160,146</u>	<u>\$ 19,957,129</u>
<u>\$ -0-</u>	<u>\$ 2,781,272</u>	<u>\$ (37,473)</u>	<u>\$ 2,743,799</u>
\$	\$ 21,242	\$ (21,242)	\$
4,195,189	4,195,189	(4,195,189)	
	1,448,703	(1,448,703)	
	2,855,938	(2,855,938)	
<u>\$ 4,195,189</u>	<u>\$ 8,521,072</u>	<u>\$ (8,521,072)</u>	<u>\$ -0-</u>
<u>\$ 4,248,911</u>	<u>\$ 12,099,327</u>		
		\$ 2,082,483	\$ 2,082,483
		1,442,600	1,442,600
		2,896,589	2,896,589
		<u>\$ 6,421,672</u>	<u>\$ 6,421,672</u>

The accompanying notes to basic financial statements are an integral part of this report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
OCTOBER 31, 2023**

Total Fund Balances - Governmental Funds \$ 8,521,072

Amounts reported for governmental activities in the Statement of Net Position are different because:

Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 16,606,710

The difference between the net carrying amount of refunded bonds and the reacquisition price is recorded as a deferred outflow of resources in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 438,522

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 revenues in the governmental activities of the District. 53,115

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	\$ (39,809)	
Bonds Payable	<u>(19,157,938)</u>	<u>(19,197,747)</u>

Total Net Position - Governmental Activities \$ 6,421,672

The accompanying notes to basic financial statements are an integral part of this report.

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FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED OCTOBER 31, 2023

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,430,877	\$ 1,111,478
Water Service	927,111	
Wastewater Service	867,747	
Water Authority Fees	878,603	
Penalty and Interest	30,819	52,354
Connection, Inspection and Other Fees	76,203	
Investment and Miscellaneous Revenues	156,338	79,397
TOTAL REVENUES	\$ 4,367,698	\$ 1,243,229
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 247,078	\$ 17,039
Contracted Services	1,031,484	51,729
Purchased Water Service	910,263	
Purchased Wastewater Service	488,559	
Utilities	72,339	
Repairs and Maintenance	663,027	
Depreciation		
Other	203,826	12,606
Capital Outlay	271,079	
Debt Service:		
Bond Principal		550,000
Bond Interest		494,105
TOTAL EXPENDITURES/EXPENSES	\$ 3,887,655	\$ 1,125,479
EXCESS (DEFICIENCY) OF REVENUES OVER		
EXPENDITURES/EXPENSES	\$ 480,043	\$ 117,750
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	\$ (30,531)	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 449,512	\$ 117,750
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - NOVEMBER 1, 2022	2,427,668	1,330,953
FUND BALANCES/NET POSITION - OCTOBER 31, 2023	\$ 2,877,180	\$ 1,448,703

The accompanying notes to basic financial statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,542,355	\$ (8,622)	\$ 2,533,733
	927,111		927,111
	867,747		867,747
	878,603		878,603
	83,173	3,297	86,470
	76,203		76,203
206,628	442,363		442,363
<u>\$ 206,628</u>	<u>\$ 5,817,555</u>	<u>\$ (5,325)</u>	<u>\$ 5,812,230</u>
\$ 2,922	\$ 267,039	\$	\$ 267,039
	1,083,213		1,083,213
	910,263		910,263
	488,559		488,559
	72,339		72,339
4,873	667,900	997,124	1,665,024
		585,615	585,615
341	216,773		216,773
557,410	828,489	(828,489)	
	550,000	(550,000)	
	494,105	(5,695)	488,410
<u>\$ 565,546</u>	<u>\$ 5,578,680</u>	<u>\$ 198,555</u>	<u>\$ 5,777,235</u>
<u>\$ (358,918)</u>	<u>\$ 238,875</u>	<u>\$ (203,880)</u>	<u>\$ 34,995</u>
<u>\$ 30,531</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
\$ (328,387)	\$ 238,875	\$ (238,875)	\$
		34,995	34,995
4,523,576	8,282,197	(1,895,520)	6,386,677
<u>\$ 4,195,189</u>	<u>\$ 8,521,072</u>	<u>\$ (2,099,400)</u>	<u>\$ 6,421,672</u>

The accompanying notes to basic financial statements are an integral part of this report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2023**

Net Change in Fund Balances - Governmental Funds	\$	238,875
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.		(8,622)
Governmental funds report penalty and interest revenues on delinquent property taxes when collected. However, in the government-wide financial statements, revenues are recorded when penalty and interest are assessed.		3,297
Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(585,615)
Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization and are owned and maintained by the District.		(168,635)
Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected.		550,000
Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the debt through fiscal year-end.		5,695
Change in Net Position - Governmental Activities	\$	34,995

The accompanying notes to basic financial statements are an integral part of this report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2023

NOTE 1. CREATION OF DISTRICT

Fort Bend County Municipal Utility District No. 2, of Fort Bend County, Texas (the “District”) was created effective July 18, 1972, by an Order of the Texas Water Rights Commission, presently 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, construct, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer, drainage, irrigation, solid waste collection and disposal, as well as provide recycling services and parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and, if approved by the District’s voters and the Commission, 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 October 4, 1972, and the first bonds were delivered on June 13, 1975.

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 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.

Financial Statement Presentation

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

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.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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 assets 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 assets 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, 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 Statement of Activities.

Fund Financial Statements

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has three 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.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

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 revenues 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 revenues 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 or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

As of October 31, 2023, the Debt Service Fund owed the General Fund \$27,784 for maintenance tax collections and the Capital Projects Fund owed the General Fund \$9,817 for incorrect transfers from the General Fund that will be corrected in the 2024 audit. The General Fund transferred \$30,531 to the Capital Projects Fund for engineering and construction related to the rehabilitation and recoating of the ground storage tank.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 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 an expenditure 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 of \$20,000 or more and an estimated useful life of two years following the date of acquisition. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
Vehicles	5
All Other Equipment	3-20

Budgeting

An unappropriated budget is adopted each year 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 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 presents 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 wages subject to federal income tax withholding for payroll tax purposes only.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, liabilities, and deferred inflows and outflows of resources associated with the activities are reported. Fund equity is classified as net position.

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 Governmental Funds Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriate resources. Operating statements of governmental fund types report increases and decreases in available spendable resources.

Fund balances in governmental funds are classified 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 does not have any committed fund balances.

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

Unassigned: all other spendable amounts in the General Fund.

When 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.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 3. LONG-TERM DEBT

	Refunding Series 2016	Series 2021	Refunding Series 2021A
Amount Outstanding – October 31, 2023	\$ 5,465,000	\$ 5,990,000	\$ 7,290,000
Interest Rates	3.00 - 4.00%	1.00% - 2.00%	2.00 - 4.00%
Maturity Dates – Beginning/Ending	October 1, 2024/2035	October 1, 2024/2045	October 1, 2024/2042
Interest Payment Dates	April 1/ October 1	April 1/ October 1	April 1/ October 1
Callable Dates	October 1, 2023*	October 1, 2026*	October 1, 2026*

* At the option of the District, in whole or from time to time in part, or any date thereafter at par plus accrued interest to the date fixed for redemption. The Series 2021 term bonds maturing on October 1, 2037, October 1, 2040, and October 1, 2043, are subject to mandatory redemption beginning October 1, 2035, October 1, 2038, and October 1, 2041, respectively. The Series 2021A Refunding term bonds maturing on October 1, 2029, October 1, 2031, October 1, 2033 and October 1, 2035, are subject to mandatory redemption beginning October 1, 2028, October 1, 2030, October 1, 2032, and October 1, 2034, respectively.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2023

NOTE 3. LONG-TERM DEBT (Continued)

The changes in bonds payable for the current fiscal year is summarized in the following table:

	November 1, 2022	Additions	Retirements	October 31, 2023
Bonds Payable	\$ 19,295,000	\$	\$ 550,000	\$ 18,745,000
Unamortized Discounts	(73,814)		(3,749)	(70,065)
Unamortized Premiums	521,572		38,569	483,003
Bonds Payable, Net	\$ 19,742,758	\$ -0-	\$ 584,820	\$ 19,157,938
			Amount Due Within One Year	\$ 570,000
			Amount Due After One Year	18,587,938
			Bonds Payable, Net	\$ 19,157,938

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

Fiscal Year	Principal	Interest	Total
2024	\$ 570,000	\$ 477,705	\$ 1,047,705
2025	590,000	460,705	1,050,705
2026	610,000	439,505	1,049,505
2027	640,000	418,705	1,058,705
2028	665,000	398,155	1,063,155
2029-2033	3,705,000	1,666,312	5,371,312
2034-2038	4,390,000	1,062,143	5,452,143
2039-2043	5,070,000	572,394	5,642,394
2044-2045	2,505,000	75,700	2,580,700
	\$ 18,745,000	\$ 5,571,324	\$ 24,316,324

The District has authorized but unissued unlimited tax bonds for water, sewer and drainage purposes and for refunding purposes in the amount of \$20,820,000, authorized but unissued unlimited tax bonds for refunding purposes in the amount of \$5,300,000, and authorized but unissued unlimited tax bonds for recreational facility purposes and refunding purposes in the amount of \$10,000,000. 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.

During the fiscal year ended October 31, 2023, the District levied an ad valorem debt service tax rate of \$0.205 per \$100 of assessed valuation, which resulted in a tax levy of \$1,041,627 on the adjusted taxable valuation of \$508,111,069 for the 2023 tax year. The bond resolutions require 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.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2023

NOTE 3. LONG-TERM DEBT (Continued)

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 bond resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to each nationally recognized municipal securities information depository and the state information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year-end and shall continue to be provided through the life of the bonds.

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 proceeds of the Bonds, 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 each five-year anniversary of the bonds.

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 \$1,152,822 and the bank balance was \$1,391,674. The District was not exposed to custodial credit risk at year-end.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2023

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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

	Cash	Certificates of Deposit	Total
	<u> </u>	<u> </u>	<u> </u>
GENERAL FUND	\$ 120,532	\$ 465,000	\$ 585,532
DEBT SERVICE FUND	108,040	456,580	564,620
CAPITAL PROJECTS FUND	<u>2,670</u>	<u> </u>	<u>2,670</u>
TOTAL DEPOSITS	<u>\$ 231,242</u>	<u>\$ 921,580</u>	<u>\$ 1,152,822</u>

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 Texas Comptroller of Public Accounts has oversight of the pool. Federated Hermes, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2023

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District records its investments in certificates of deposit at acquisition cost.

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

<u>Funds and Investment Type</u>	<u>Fair Value</u>	<u>Maturities of Less Than 1 Year</u>
<u>GENERAL FUND</u>		
TexPool	\$2,551,328	\$2,551,328
Certificates of Deposit	465,000	465,000
<u>DEBT SERVICE FUND</u>		
TexPool	909,252	909,252
Certificates of Deposit	456,580	456,580
<u>CAPITAL PROJECTS FUND</u>		
TexPool	4,246,241	4,246,241
TOTAL INVESTMENTS	<u>\$8,628,401</u>	<u>\$8,628,401</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investments in TexPool were rated "AAAm" by Standard & Poor's. The District also manages credit risk by investing in certificates of deposit covered by FDIC insurance.

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 to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of approximately one year or less.

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.

All cash and investments of the Capital Projects Fund are restricted for the purchase of certain capital assets.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2023

NOTE 6. CAPITAL ASSETS

Capital asset activity for the current fiscal year is summarized in the following table:

	November 1, 2022	Increases	Decreases	October 31, 2023
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 189,782	\$	\$	\$ 189,782
Construction in Progress	<u>1,041,153</u>	<u> </u>	<u>821,356</u>	<u>219,797</u>
Total Capital Assets Not Being Depreciated	<u>\$ 1,230,935</u>	<u>\$ - 0 -</u>	<u>\$ 821,356</u>	<u>\$ 409,579</u>
Capital Assets Subject to Depreciation				
Water System	\$ 12,142,169	\$ 290,516	\$	\$ 12,432,685
Wastewater System	10,957,071	362,206		11,319,277
Drainage System	4,804,182			4,804,182
Vehicle	23,940			23,940
Capacity Interest in the City of Houston Wastewater Treatment Plant	<u>1,783,659</u>	<u> </u>	<u> </u>	<u>1,783,659</u>
Total Capital Assets Subject to Depreciation	<u>\$ 29,711,021</u>	<u>\$ 652,722</u>	<u>\$ - 0 -</u>	<u>\$ 30,363,743</u>
Accumulated Depreciation				
Water System	\$ 4,402,755	\$ 271,402	\$	\$ 4,674,157
Wastewater System	3,806,440	225,811		4,032,251
Drainage System	3,571,261	83,614		3,654,875
Vehicle	16,882	4,788		21,670
Capacity Interest in the City of Houston Wastewater Treatment Plant	<u>1,783,659</u>	<u> </u>	<u> </u>	<u>1,783,659</u>
Total Accumulated Depreciation	<u>\$ 13,580,997</u>	<u>\$ 585,615</u>	<u>\$ - 0 -</u>	<u>\$ 14,166,612</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 16,130,024</u>	<u>\$ 67,107</u>	<u>\$ - 0 -</u>	<u>\$ 16,197,131</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 17,360,959</u>	<u>\$ 67,107</u>	<u>\$ 821,356</u>	<u>\$ 16,606,710</u>

NOTE 7. MAINTENANCE TAX

On May 11, 2013, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.50 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system. During the fiscal year ended October 31, 2023, the District levied an ad valorem maintenance tax rate of \$0.335 per \$100 of assessed valuation, which resulted in a tax levy of \$1,702,172 on the adjusted taxable valuation of \$508,111,069 for the 2023 tax year.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2023

NOTE 8. WASTE DISPOSAL CONTRACT

On March 6, 1974, the District and a predecessor that would become part of the City of Houston (the “City”) entered into a 40 year waste disposal contract (the “Contract”) for the expansion and operation of the City’s sewer treatment plant which serves the District. Under the terms of the Contract, the District acquired 800,000 gallons per day of capacity in the plant and agreed to pay one-third of the debt service requirements of the debt incurred to finance the previously constructed facilities. The final debt payment was made during fiscal year 2007.

The Contract was amended effective May 22, 1985, whereby the District acquired an additional 490,000 gallons per day (“GPD”) of capacity in the plant and paid a capital recovery charge in the amount of \$1.448 per gallon of planned capacity less engineering fees expended by the District in expanding the plant. Further, the Contract term was modified to 40 years from May 22, 1985. The parties subsequently approved the First Amendment dated April 23, 1987, concerning charges for the plant expansion, an assignment dated May 26, 2000, whereby the City approved the assignment of 370,000 GPD from the District to Fort Bend County Municipal Utility District No. 119 (“District No. 119”), and the Second Amendment dated September 19, 2005, whereby the City conveyed to the District an additional 36,225 GPD, and the District assigned to District No. 119 an additional 152,775 GPD, bringing the total owned by District No. 119 to 522,775 GPD of wastewater treatment capacity and the total owned by the District to 803,450 GPD of wastewater treatment capacity.

The District has a capacity interest in the City’s sewer treatment plant. The District’s investment in capacity in the plant is amortized over the life of the contract. The District has 803,450 GPD of capacity in the plant. At an estimated cost of \$2.22 per gallon of capacity, the cost of the capacity was \$1,783,659.

The District is also required to pay a monthly operating charge for each residential unit or equivalent connection to the District’s system. Costs incurred under the terms of this provision were \$488,559 for the fiscal year ended October 31, 2023.

NOTE 9. WATER SUPPLY AGREEMENTS

On February 22, 1999, the District entered into an Agreement for Interim Water and Emergency Water Supply Services with Woodbridge Commercial Partners, Ltd., a developer within Fort Bend County Municipal Utility District No. 119 (“District No. 119”), for interim water and emergency water supply services (the “District No. 119 Emergency Water Supply Agreement”). The District No. 119 Emergency Water Supply Agreement was subsequently amended on December 1, 2001, February 1, 2006, April 4, 2007, and May 1, 2009. Under the current terms of the District No. 119 Emergency Water Supply Agreement, District No. 119 is responsible for maintenance of the interconnect, with each district responsible for 50% of the maintenance costs.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2023

NOTE 9. WATER SUPPLY AGREEMENTS (Continued)

Water is to be supplied on an emergency basis as defined in the District No. 119 Emergency Water Supply Agreement, and the rate for water is \$0.75 per 1,000 gallons of water supplied, plus any pumpage fees or other charges incurred by the supplying district from the North Fort Bend Water Authority for the water supplied. The District No. 119 Emergency Water Supply Agreement is for a term of 40 years from the effective date of the agreement and will automatically renew for successive five-year terms, unless notice of nonrenewal is provided by either party at least nine months prior to the commencement of a renewal term.

On August 26, 1991, the District entered into an Emergency Water Supply Contract with Kingsbridge Municipal Utility District (the “Kingsbridge MUD Emergency Water Supply Agreement”). The Kingsbridge MUD Emergency Water Supply Agreement was amended on October 4, 2005, and December 5, 2007. Under the terms of this agreement, as amended, the District and Kingsbridge Municipal Utility District agreed to provide water to each other on an emergency basis for a temporary period, defined as a maximum period of 15 consecutive days, unless otherwise agreed in writing by the districts. The price to be paid for water supplied pursuant to this agreement is \$1.00 per 1,000 gallons of water supplied plus any charge per 1,000 gallons assessed to the supplying district by the North Fort Bend Water Authority for the water supplied. The second amendment also provides for the installation and use of a two-way water meter at the point of connection and for in-kind repayment of water used. The term of this agreement is 40 years.

On November 24, 2003, the District entered into an Emergency Water Supply Agreement with Renn Road Municipal Utility District (the “Renn Road MUD Emergency Water Supply Agreement”). This contract was amended on April 26, 2022. Under the terms of the Renn Road MUD Emergency Water Supply Agreement, Renn Road operates, maintains and repairs the point of interconnect and all such operation and maintenance and repair costs are shared equally by the District and Renn Road MUD. Water will be supplied to the district experiencing an emergency on a temporary basis at a cost of \$1.50 per 1,000 gallons of water supplied through the point of interconnect plus any pumpage fees incurred by the supplying district for the water supplied. The term of the Renn Road MUD Emergency Water Supply Agreement is 20 years from the date of amendment and shall renew thereafter for successive five-year terms.

NOTE 10. RISK MANAGEMENT

The District carries commercial insurance to cover various risks of loss including torts, damage to and destruction of assets, errors and omissions and natural disasters. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2023

NOTE 11. NORTH FORT BEND WATER AUTHORITY

The District is located within the boundaries of the North Fort Bend Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 3482 (the “Act”), as passed by the 79th Texas Legislature, in 2005. 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. The Authority is responsible for overseeing that its participants comply with subsidence district pumpage requirements. The District is required, if deemed necessary by the Authority, to convert its water supply to surface water over a period of time.

The Authority charges a fee, based on the amount of water pumped from a well, to the owners 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 is \$4.55 per 1,000 gallons of water pumped from each well and \$4.90 per 1,000 gallons of surface water received from the Authority. In the current fiscal year, the District paid the Authority \$910,263 for pumpage fees and surface water costs.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2

REQUIRED SUPPLEMENTARY INFORMATION

OCTOBER 31, 2023

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED OCTOBER 31, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,400,000	\$ 1,430,877	\$ 30,877
Water Service	916,500	927,111	10,611
Wastewater Service	840,000	867,747	27,747
Water Authority Fees	800,000	878,603	78,603
Penalty and Interest	25,500	30,819	5,319
Investment and Miscellaneous Revenues	<u>102,000</u>	<u>232,541</u>	<u>130,541</u>
TOTAL REVENUES	<u>\$ 4,084,000</u>	<u>\$ 4,367,698</u>	<u>\$ 283,698</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 262,500	\$ 247,078	\$ 15,422
Contracted Services	1,163,900	1,031,484	132,416
Purchased Water Service	750,000	910,263	(160,263)
Purchased Wastewater Service	504,000	488,559	15,441
Utilities	61,500	72,339	(10,839)
Repairs, Maintenance, Capital Outlay	1,065,000	934,106	130,894
Other	<u>255,400</u>	<u>203,826</u>	<u>51,574</u>
TOTAL EXPENDITURES	<u>\$ 4,062,300</u>	<u>\$ 3,887,655</u>	<u>\$ 174,645</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 21,700</u>	<u>\$ 480,043</u>	<u>\$ 458,343</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	<u>\$ -0-</u>	<u>\$ (30,531)</u>	<u>\$ (30,531)</u>
NET CHANGE IN FUND BALANCE	\$ 21,700	\$ 449,512	\$ 427,812
FUND BALANCE - NOVEMBER 1, 2022	<u>2,427,668</u>	<u>2,427,668</u>	<u></u>
FUND BALANCE - OCTOBER 31, 2023	<u>\$ 2,449,368</u>	<u>\$ 2,877,180</u>	<u>\$ 427,812</u>

The accompanying independent auditor's report.

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FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

OCTOBER 31, 2023

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
SERVICES AND RATES
FOR THE YEAR ENDED OCTOBER 31, 2023

1. SERVICES PROVIDED BY THE DISTRICT:

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

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

The rates below are based on the rate order effective August 29, 2023.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	<u>Usage Levels</u>
WATER:	\$ 29.00	5,000	N	\$ 1.75 \$ 1.85 \$ 2.00 \$ 2.25 \$ 3.00	5,001 to 10,000 10,001 to 15,000 15,001 to 20,000 20,001 to 25,000 over 25,000
WASTEWATER:	\$ 38.93		Y		
SURCHARGE: Water Authority Fees			N	\$ 5.54	All
District employs winter averaging for wastewater usage?					<u> </u> <u> </u> Yes No <u>X</u>

Total monthly charges per 10,000 gallons usage: Water: \$37.75 Wastewater: \$38.93 Surcharge: \$55.40 Total \$132.08

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
SERVICES AND RATES
FOR THE YEAR ENDED OCTOBER 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	
≤ ³ / ₄ "	<u>2,287</u>	<u>2,245</u>	x 1.0	<u>2,245</u>
1"	<u>9</u>	<u>9</u>	x 2.5	<u>23</u>
1½"	<u>2</u>	<u>2</u>	x 5.0	<u>10</u>
2"	<u>18</u>	<u>18</u>	x 8.0	<u>144</u>
3"			x 15.0	
4"			x 25.0	
6"	<u>1</u>	<u>1</u>	x 50.0	<u>50</u>
8"	<u>3</u>	<u>3</u>	x 80.0	<u>240</u>
10"			x 115.0	
Total Water Connections	<u>2,320</u>	<u>2,278</u>		<u>2,712</u>
Total Wastewater Connections	<u>2,308</u>	<u>2,266</u>	x 1.0	<u>2,266</u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR: (Unaudited)

Gallons pumped into system:	37,616,000	Water Accountability Ratio: 91.84% (Gallons billed and sold/Gallons pumped and purchased)
Gallons purchased:	151,239,000	From: North Fort Bend Water Authority
Gallons billed to customers:	159,450,000	
Gallons sold:	14,000,000	To: Renn Road MUD

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
SERVICES AND RATES
FOR THE YEAR ENDED OCTOBER 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 or Counties in which District is located:

Fort Bend 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's in which District is located:

City of Houston, Texas

Is the general membership of the Board appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED OCTOBER 31, 2023

PROFESSIONAL FEES:	
Auditing	\$ 19,500
Engineering	102,346
Legal	<u>125,232</u>
TOTAL PROFESSIONAL FEES	<u>\$ 247,078</u>
PURCHASED WATER SERVICE	<u>\$ 910,263</u>
PURCHASED WASTEWATER SERVICE	<u>\$ 488,559</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 34,650
Operations and Billing	212,478
Solid Waste Disposal	607,113
Security	<u>177,243</u>
TOTAL CONTRACTED SERVICES	<u>\$ 1,031,484</u>
UTILITIES	<u>\$ 72,339</u>
REPAIRS AND MAINTENANCE	<u>\$ 663,027</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 32,438
Insurance	19,342
Office Supplies and Postage	33,819
Payroll Taxes and Administration	20,425
Travel and Meetings	8,607
Other	<u>11,053</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 125,684</u>
CAPITAL OUTLAY	<u>\$ 271,079</u>
OTHER EXPENDITURES:	
Chemicals	\$ 32,819
Laboratory Fees	16,883
Permit Fees	5,510
Connection and Inspection Fees	14,524
Regulatory Assessment	<u>8,406</u>
TOTAL OTHER EXPENDITURES	<u>\$ 78,142</u>
TOTAL EXPENDITURES	<u><u>\$ 3,887,655</u></u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
INVESTMENTS
OCTOBER 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	\$ 2,551,328	\$
Certificate of Deposit	XXXX1458	4.24%	12/31/23	235,000	8,299
Certificate of Deposit	XXXX6441	4.94%	06/15/24	230,000	4,296
TOTAL GENERAL FUND				<u>\$ 3,016,328</u>	<u>\$ 12,595</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 909,252	\$
Certificate of Deposit	XXXX7969	4.50%	02/11/24	230,000	7,429
Certificate of Deposit	XXXX6817	4.16%	03/04/24	100,702	2,766
Certificate of Deposit	XXXX6787	4.16%	02/02/24	125,878	3,888
TOTAL DEBT SERVICE FUND				<u>\$ 1,365,832</u>	<u>\$ 14,083</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 4,246,241	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 8,628,401</u>	<u>\$ 26,678</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED OCTOBER 31, 2023

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
NOVEMBER 1, 2022	\$ 1,435,090		\$ 1,117,916	
Adjustments to Beginning				
Balance	<u>(5,679)</u>	\$ 1,429,411	<u>(4,798)</u>	\$ 1,113,118
Original 2022 Tax Levy	\$ 1,701,348		\$ 1,041,123	
Adjustment to 2022 Tax Levy	<u>824</u>	<u>1,702,172</u>	<u>504</u>	<u>1,041,627</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 3,131,583		\$ 2,154,745
TAX COLLECTIONS:				
Prior Years	\$ 1,410,002		\$ 1,095,054	
Current Year	<u>18,742</u>	<u>1,428,744</u>	<u>11,468</u>	<u>1,106,522</u>
TAXES RECEIVABLE -				
OCTOBER 31, 2023		<u>\$ 1,702,839</u>		<u>\$ 1,048,223</u>
TAXES RECEIVABLE BY				
YEAR:				
2023		\$ 1,683,430		\$ 1,030,159
2022		10,818		8,376
2021		2,124		2,051
2020		1,706		2,085
2019		1,875		2,500
2018 and prior		<u>2,886</u>		<u>3,052</u>
		<u>\$ 1,702,839</u>		<u>\$ 1,048,223</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED OCTOBER 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
PROPERTY VALUATIONS:				
Land	\$ 71,034,522	\$ 71,106,964	\$ 61,548,284	\$ 59,191,664
Improvements	522,102,674	472,241,056	359,508,925	332,466,804
Personal Property	7,440,566	6,581,610	6,310,870	5,576,570
Exemptions	<u>(92,466,693)</u>	<u>(87,835,679)</u>	<u>(40,328,054)</u>	<u>(28,274,210)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 508,111,069</u>	<u>\$ 462,093,951</u>	<u>\$ 387,040,025</u>	<u>\$ 368,960,828</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.205	\$ 0.24	\$ 0.28	\$ 0.33
Maintenance	<u>0.335</u>	<u>0.31</u>	<u>0.29</u>	<u>0.27</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.540</u>	<u>\$ 0.55</u>	<u>\$ 0.57</u>	<u>\$ 0.60</u>
ADJUSTED TAX LEVY*	<u>\$ 2,743,799</u>	<u>\$ 2,541,516</u>	<u>\$ 2,206,128</u>	<u>\$ 2,213,765</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>1.10 %</u>	<u>99.24 %</u>	<u>99.81 %</u>	<u>99.83 %</u>

* Based upon adjusted tax at time of audit for the period in which the tax was levied.

Maintenance Tax - Maximum tax rate of \$0.50 per \$100 of assessed valuation approved by voters on May 11, 2013.

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
OCTOBER 31, 2023

SERIES - 2016 REFUNDING

Due During Fiscal Years Ending October 31	Principal Due October 1	Interest Due April 1/ October 1	Total
2024	\$ 340,000	\$ 215,200	\$ 555,200
2025	360,000	205,000	565,000
2026	375,000	190,600	565,600
2027	395,000	175,600	570,600
2028	420,000	159,800	579,800
2029	435,000	143,000	578,000
2030	465,000	125,600	590,600
2031	485,000	107,000	592,000
2032	510,000	87,600	597,600
2033	535,000	67,200	602,200
2034	560,000	45,800	605,800
2035	585,000	23,400	608,400
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	<u>\$ 5,465,000</u>	<u>\$ 1,545,800</u>	<u>\$ 7,010,800</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
OCTOBER 31, 2023

S E R I E S - 2 0 2 1

Due During Fiscal Years Ending October 31	Principal Due October 1	Interest Due April 1/ October 1	Total
2024	\$ 120,000	\$ 107,805	\$ 227,805
2025	120,000	105,405	225,405
2026	125,000	103,005	228,005
2027	130,000	100,505	230,505
2028	130,000	99,205	229,205
2029	140,000	97,905	237,905
2030	135,000	96,505	231,505
2031	140,000	95,155	235,155
2032	145,000	93,405	238,405
2033	150,000	91,592	241,592
2034	155,000	89,642	244,642
2035	160,000	87,550	247,550
2036	95,000	85,151	180,151
2037	100,000	83,725	183,725
2038	100,000	82,225	182,225
2039	60,000	80,475	140,475
2040	110,000	79,425	189,425
2041	100,000	77,500	177,500
2042	90,000	75,500	165,500
2043	1,180,000	73,700	1,253,700
2044	1,225,000	50,100	1,275,100
2045	1,280,000	25,600	1,305,600
	<u>\$ 5,990,000</u>	<u>\$ 1,881,080</u>	<u>\$ 7,871,080</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
OCTOBER 31, 2023

SERIES - 2021 A REFUNDING

Due During Fiscal Years Ending October 31	Principal Due October 1	Interest Due April 1/ October 1	Total
2024	\$ 110,000	\$ 154,700	\$ 264,700
2025	110,000	150,300	260,300
2026	110,000	145,900	255,900
2027	115,000	142,600	257,600
2028	115,000	139,150	254,150
2029	115,000	136,850	251,850
2030	115,000	134,550	249,550
2031	115,000	132,250	247,250
2032	110,000	129,950	239,950
2033	110,000	127,750	237,750
2034	110,000	125,550	235,550
2035	110,000	123,350	233,350
2036	790,000	121,150	911,150
2037	805,000	105,350	910,350
2038	820,000	89,250	909,250
2039	880,000	72,850	952,850
2040	850,000	55,250	905,250
2041	885,000	38,250	923,250
2042	915,000	19,444	934,444
2043			
2044			
2045			
	<u>\$ 7,290,000</u>	<u>\$ 2,144,444</u>	<u>\$ 9,434,444</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
OCTOBER 31, 2023

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending October 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 570,000	\$ 477,705	\$ 1,047,705
2025	590,000	460,705	1,050,705
2026	610,000	439,505	1,049,505
2027	640,000	418,705	1,058,705
2028	665,000	398,155	1,063,155
2029	690,000	377,755	1,067,755
2030	715,000	356,655	1,071,655
2031	740,000	334,405	1,074,405
2032	765,000	310,955	1,075,955
2033	795,000	286,542	1,081,542
2034	825,000	260,992	1,085,992
2035	855,000	234,300	1,089,300
2036	885,000	206,301	1,091,301
2037	905,000	189,075	1,094,075
2038	920,000	171,475	1,091,475
2039	940,000	153,325	1,093,325
2040	960,000	134,675	1,094,675
2041	985,000	115,750	1,100,750
2042	1,005,000	94,944	1,099,944
2043	1,180,000	73,700	1,253,700
2044	1,225,000	50,100	1,275,100
2045	1,280,000	25,600	1,305,600
	<u>\$ 18,745,000</u>	<u>\$ 5,571,324</u>	<u>\$ 24,316,324</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED OCTOBER 31, 2023

Description	Original Bonds Issued	Bonds Outstanding November 1, 2022
Fort Bend County Municipal Utility District No. 2 Unlimited Tax Refunding Bonds - Series 2016	\$ 5,795,000	\$ 5,795,000
Fort Bend County Municipal Utility District No. 2 Unlimited Tax Bonds - Series 2021	6,180,000	6,105,000
Fort Bend County Municipal Utility District No. 2 Unlimited Tax Refunding Bonds - Series 2021A	<u>7,925,000</u>	<u>7,395,000</u>
	<u>\$ 19,900,000</u>	<u>\$ 19,295,000</u>

Bond Authority:	Tax Bonds	Refunding Bonds	Recreational Facility Tax Bonds
Amount Authorized by Voters	\$ 52,770,000	\$ 5,800,000	\$ 10,000,000
Amount Issued	<u>31,950,000</u>	<u>500,000</u>	<u> </u>
Remaining to be Issued	<u>\$ 20,820,000</u>	<u>\$ 5,300,000</u>	<u>\$ 10,000,000</u>

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding October 31, 2023	Paying Agent
	Principal	Interest		
\$	\$ 330,000	\$ 225,100	\$ 5,465,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	115,000	110,105	5,990,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	<u>105,000</u>	<u>158,900</u>	<u>7,290,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 550,000</u>	<u>\$ 494,105</u>	<u>\$ 18,745,000</u>	

Debt Service Fund cash and investment balances as of October 31, 2023: \$ 1,473,872

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 1,105,287

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

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 1,430,877	\$ 1,117,547	\$ 1,000,410
Water Service	927,111	874,615	800,201
Wastewater Service	867,747	808,062	793,930
Water Authority Fees	878,603	810,299	731,384
Penalty and Interest	30,819	27,653	17,624
Connection, Inspection, and Other Fees	76,203	73,295	70,430
Investment and Miscellaneous Revenues	<u>156,338</u>	<u>42,589</u>	<u>96,718</u>
TOTAL REVENUES	<u>\$ 4,367,698</u>	<u>\$ 3,754,060</u>	<u>\$ 3,510,697</u>
EXPENDITURES			
Professional Fees	\$ 247,078	\$ 238,111	\$ 278,541
Contracted Services	1,031,484	827,112	808,494
Purchased Water Service	910,263	813,309	746,041
Purchased Wastewater Service	488,559	445,559	440,061
Utilities	72,339	58,813	58,422
Repairs and Maintenance	663,027	1,409,145	592,635
Other	203,826	169,330	251,600
Capital Outlay	<u>271,079</u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>\$ 3,887,655</u>	<u>\$ 3,961,379</u>	<u>\$ 3,175,794</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 480,043</u>	<u>\$ (207,319)</u>	<u>\$ 334,903</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	<u>\$ (30,531)</u>	<u>\$ (3,229)</u>	<u>\$ 57,022</u>
NET CHANGE IN FUND BALANCE	\$ 449,512	\$ (210,548)	\$ 391,925
BEGINNING FUND BALANCE	<u>2,427,668</u>	<u>2,638,216</u>	<u>2,246,291</u>
ENDING FUND BALANCE	<u>\$ 2,877,180</u>	<u>\$ 2,427,668</u>	<u>\$ 2,638,216</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
\$ 950,920	\$ 909,901	32.8 %	29.8 %	28.5 %	26.6 %	26.9 %
824,223	807,823	21.2	23.3	22.8	23.1	23.8
823,959	830,464	19.9	21.5	22.6	23.1	24.5
752,588	665,936	20.1	21.6	20.8	21.1	19.6
16,295	29,246	0.7	0.7	0.5	0.5	0.9
139,226	17,300	1.7	2.0	2.0	3.9	0.5
61,460	129,559	3.6	1.1	2.8	1.7	3.8
<u>\$ 3,568,671</u>	<u>\$ 3,390,229</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 372,969	\$ 389,989	5.7 %	6.3 %	7.9 %	10.5 %	11.5 %
845,098	874,941	23.6	22.0	23.0	23.7	25.8
744,012	647,490	20.8	21.7	21.3	20.8	19.1
429,874	380,603	11.2	11.9	12.5	12.0	11.2
55,671	52,059	1.7	1.6	1.7	1.6	1.5
599,824	1,096,700	15.2	37.5	16.9	16.8	32.3
196,682	270,883	4.7	4.5	7.2	5.5	8.0
38,924	138,908	6.2			1.1	4.1
<u>\$ 3,283,054</u>	<u>\$ 3,851,573</u>	<u>89.1 %</u>	<u>105.5 %</u>	<u>90.5 %</u>	<u>92.0 %</u>	<u>113.5 %</u>
<u>\$ 285,617</u>	<u>\$ (461,344)</u>	<u>10.9 %</u>	<u>(5.5) %</u>	<u>9.5 %</u>	<u>8.0 %</u>	<u>(13.5) %</u>
<u>\$ 1,000</u>	<u>\$ 69,000</u>					
\$ 286,617	\$ (392,344)					
<u>1,959,674</u>	<u>2,352,018</u>					
<u>\$ 2,246,291</u>	<u>\$ 1,959,674</u>					

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 1,111,478	\$ 1,080,489	\$ 1,224,458
Penalty and Interest	52,354	35,073	40,722
Investment and Miscellaneous Revenues	79,397	28,051	10,894
TOTAL REVENUES	\$ 1,243,229	\$ 1,143,613	\$ 1,276,074
EXPENDITURES			
Tax Collection Expenditures	\$ 79,124	\$ 86,257	\$ 79,492
Debt Service Principal	550,000	530,000	480,000
Debt Service Interest and Fees	496,355	511,505	486,081
Bond Issuance Costs			301,863
TOTAL EXPENDITURES	\$ 1,125,479	\$ 1,127,762	\$ 1,347,436
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 117,750	\$ 15,851	\$ (71,362)
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Refunding Bonds	\$	\$	\$ 7,925,000
Transfer to Refunded Bond Escrow Agent			(7,542,136)
Bond Discount			(78,733)
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ - 0 -	\$ 304,131
NET CHANGE IN FUND BALANCE	\$ 117,750	\$ 15,851	\$ 232,769
BEGINNING FUND BALANCE	1,330,953	1,315,102	1,082,333
ENDING FUND BALANCE	\$ 1,448,703	\$ 1,330,953	\$ 1,315,102
TOTAL ACTIVE RETAIL WATER CONNECTIONS	2,278	2,287	2,282
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	2,266	2,274	2,271

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
\$ 1,266,701	\$ 978,387	89.4 %	94.4 %	95.9 %	95.5 %	93.9 %
30,025	43,654	4.2	3.1	3.2	2.3	4.2
28,966	19,398	6.4	2.5	0.9	2.2	1.9
<u>\$ 1,325,692</u>	<u>\$ 1,041,439</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 64,018	\$ 61,379	6.4 %	7.5 %	6.2 %	4.8 %	5.9 %
390,000	370,000	44.2	46.3	37.6	29.4	35.5
534,156	548,956	39.9	44.7	38.1	40.3	52.7
				23.7		
<u>\$ 988,174</u>	<u>\$ 980,335</u>	<u>90.5 %</u>	<u>98.5 %</u>	<u>105.6 %</u>	<u>74.5 %</u>	<u>94.1 %</u>
\$ 337,518	\$ 61,104	<u>9.5 %</u>	<u>1.5 %</u>	<u>(5.6) %</u>	<u>25.5 %</u>	<u>5.9 %</u>
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 337,518	\$ 61,104					
744,815	683,711					
<u>\$ 1,082,333</u>	<u>\$ 744,815</u>					
<u>2,288</u>	<u>2,271</u>					
<u>2,275</u>	<u>2,259</u>					

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
OCTOBER 31, 2023

District Mailing Address - Fort Bend County Municipal Utility District No. 2
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

<u>Board Members</u>	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended October 31, 2023</u>	<u>Expense Reimbursements for the year ended October 31, 2023</u>	<u>Title</u>
Pam Kelley	05/22 05/26 (Elected)	\$ 3,994	\$ 786	President
Betty J. Stewart	05/20 05/24 (Elected)	\$ 6,844	\$ 1,968	Vice President
Jessica Fateh	05/22 05/26 (Elected)	\$ 7,200	\$ 43	Assistant Vice President
Lisa Dudley	05/22 05/26 (Elected)	\$ 7,200	\$ 513	Secretary
Jose Luis Fuentes Mendoza	06/22 05/24 (Appointed)	\$ 7,200	\$ 1,545	Assistant Secretary

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

Submission Date of most recent District Registration Form: July 13, 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 23, 2001. Fees of Office are the amounts paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
OCTOBER 31, 2023

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended October 31, 2023</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	07/28/03	\$ 129,246	Attorney
McCall Gibson Swedlund Barfoot PLLC	06/27/17	\$ 19,500	Auditor
Myrtle Cruz, Inc.	03/22/04	\$ 38,212	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	02/22/93	\$ 17,039	Delinquent Tax Attorney
IDS Engineering Group	05/28/96	\$ 361,141	Engineer
Rathmann & Associates, LP	04/28/03	\$ -0-	Financial Advisor
Mary Jarmon	09/01/2010	\$ -0-	Investment Officer
Municipal District Services, LLC	09/15/00	\$ 750,998	Operator
Assessments of the Southwest, Inc.	09/23/08	\$ 35,111	Tax Assessor/ Collector

See accompanying independent auditor's report.

