

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

OCTOBER 31, 2024

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

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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, 2024, 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, 2024, 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.

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.

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

February 25, 2025

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED OCTOBER 31, 2024

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, 2024. 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, 2024

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 \$7,896,331 as of October 31, 2024.

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, 2024

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		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 13,424,940	\$ 12,077,368	\$ 1,347,572
Capital Assets (Net of Accumulated Depreciation)	16,285,077	16,606,710	(321,633)
Total Assets	\$ 29,710,017	\$ 28,684,078	\$ 1,025,939
Deferred Outflows of Resources	\$ 407,947	\$ 438,522	\$ (30,575)
Bonds Payable	\$ 18,553,023	\$ 19,157,938	\$ 604,915
Other Liabilities	805,894	799,191	(6,703)
Total Liabilities	\$ 19,358,917	\$ 19,957,129	\$ 598,212
Deferred Inflows of Resources	\$ 2,862,716	\$ 2,743,799	\$ (118,917)
Net Position:			
Net Investment in Capital Assets	\$ 2,400,603	\$ 2,082,483	\$ 318,120
Restricted	1,495,942	1,442,600	53,342
Unrestricted	3,999,786	2,896,589	1,103,197
Total Net Position	\$ 7,896,331	\$ 6,421,672	\$ 1,474,659

The following table provides a summary of the District's operations for the years ended October 31, 2024, and October 31, 2023.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,728,884	\$ 2,533,733	\$ 195,151
Charges for Services	3,082,819	2,836,134	246,685
Other Revenues	541,684	442,363	99,321
Total Revenues	\$ 6,353,387	\$ 5,812,230	\$ 541,157
Expenses for Services	4,878,728	5,777,235	898,507
Change in Net Position	\$ 1,474,659	\$ 34,995	\$ 1,439,664
Net Position, Beginning of Year	6,421,672	6,386,677	34,995
Net Position, End of Year	\$ 7,896,331	\$ 6,421,672	\$ 1,474,659

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED OCTOBER 31, 2024

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of October 31, 2024, were \$9,702,607, an increase of \$1,181,535 from the prior year.

The General Fund fund balance increased by \$1,083,053, primarily due to service revenues and tax revenues exceeding operating expenditures.

The Debt Service Fund fund balance increased by \$33,069, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by \$65,413, primarily due to investment revenues exceeding capital expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted a General Fund budget for the current fiscal year. Actual revenues were \$547,405 more than budgeted revenues and actual expenditures were \$497,948 less than budgeted expenditures. The result was a positive budget to actual variance of \$1,045,353. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets total \$16,285,077 as of October 31, 2024. 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 a new security vehicle and recoating of the hydropneumatics tanks no. 1 and 2.

Capital Assets At Year-End			
	2024	2023	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 189,782	\$ 189,782	\$
Construction in Progress	365,075	219,797	145,278
Capital Assets Subject to Depreciation:			
Water System	12,500,223	12,432,685	67,538
Wastewater System	11,319,277	11,319,277	
Drainage System	4,804,182	4,804,182	
Vehicle	78,201	23,940	54,261
Capacity in City of Houston WWTP	1,783,659	1,783,659	
Less Accumulated Depreciation	(14,755,322)	(14,166,612)	(588,710)
Total Net Capital Assets	<u>\$ 16,285,077</u>	<u>\$ 16,606,710</u>	<u>\$ (321,633)</u>

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED OCTOBER 31, 2024

LONG-TERM DEBT ACTIVITY

As of October 31, 2024, the District had total bond debt payable of \$18,175,000. The changes in the debt position of the District during the fiscal year ended October 31, 2024, are summarized in the following table:

Bond Debt Payable, November 1, 2023	\$ 18,745,000
Less: Bond Principal Paid	<u>(570,000)</u>
Bond Debt Payable, October 31, 2024	<u>\$ 18,175,000</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, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 142,251	\$ 83,482
Investments	4,064,231	1,415,619
Receivables:		
Property Taxes	1,894,181	1,015,624
Penalty and Interest on Delinquent Taxes		
Service Accounts	470,687	
Accrued Interest	9,017	11,758
Other	2,032	
Due from Other Funds	21,397	
Prepaid Costs	25,093	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 6,628,889</u>	<u>\$ 2,526,483</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ -0-</u>	<u>\$ -0-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 6,628,889</u></u>	<u><u>\$ 2,526,483</u></u>

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>
\$ 4,413	\$ 230,146	\$	\$ 230,146
4,263,678	9,743,528		9,743,528
	2,909,805		2,909,805
		22,874	22,874
	470,687		470,687
	20,775		20,775
	2,032		2,032
	21,397	(21,397)	
	25,093		25,093
		189,782	189,782
		365,075	365,075
		15,730,220	15,730,220
<u>\$ 4,268,091</u>	<u>\$ 13,423,463</u>	<u>\$ 16,286,554</u>	<u>\$ 29,710,017</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 407,947</u>	<u>\$ 407,947</u>
<u>\$ 4,268,091</u>	<u>\$ 13,423,463</u>	<u>\$ 16,694,501</u>	<u>\$ 30,117,964</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, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 324,121	\$
Accrued Interest Payable		
Due to Other Funds		21,397
Security Deposits	435,892	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 760,013</u>	<u>\$ 21,397</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 1,908,643</u>	<u>\$ 1,023,314</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 25,093	\$
Restricted for Authorized Construction		
Restricted for Debt Service		1,481,772
Unassigned	<u>3,935,140</u>	<u></u>
TOTAL FUND BALANCES	<u>\$ 3,960,233</u>	<u>\$ 1,481,772</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 6,628,889</u>	<u>\$ 2,526,483</u>
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.

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 7,489	\$ 331,610	\$	\$ 331,610
		38,392	38,392
	21,397	(21,397)	
	435,892		435,892
		590,000	590,000
		17,963,023	17,963,023
<u>\$ 7,489</u>	<u>\$ 788,899</u>	<u>\$ 18,570,018</u>	<u>\$ 19,358,917</u>
<u>\$ -0-</u>	<u>\$ 2,931,957</u>	<u>\$ (69,241)</u>	<u>\$ 2,862,716</u>
\$	\$ 25,093	\$ (25,093)	\$
4,260,602	4,260,602	(4,260,602)	
	1,481,772	(1,481,772)	
	3,935,140	(3,935,140)	
<u>\$ 4,260,602</u>	<u>\$ 9,702,607</u>	<u>\$ (9,702,607)</u>	<u>\$ -0-</u>
<u>\$ 4,268,091</u>	<u>\$ 13,423,463</u>		
		\$ 2,400,603	\$ 2,400,603
		1,495,942	1,495,942
		3,999,786	3,999,786
		<u>\$ 7,896,331</u>	<u>\$ 7,896,331</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, 2024

Total Fund Balances - Governmental Funds	\$	9,702,607
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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.		16,285,077
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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.		407,947
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2023 and prior tax levies became part of recognized revenues in the governmental activities of the District.		92,115
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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	\$ (38,392)	
Bonds Payable	<u>(18,553,023)</u>	<u>(18,591,415)</u>
Total Net Position - Governmental Activities		<u>\$ 7,896,331</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 ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED OCTOBER 31, 2024

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,673,054	\$ 1,024,062
Water Service	905,161	
Wastewater Service	1,182,681	
Water Authority Fees	796,236	
Penalty and Interest	36,786	37,973
Connection, Inspection and Other Fees	116,750	
Investment and Miscellaneous Revenues	204,737	102,010
TOTAL REVENUES	\$ 4,915,405	\$ 1,164,045
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 337,382	\$ 13,862
Contracted Services	1,079,606	61,349
Water Authority Costs	753,938	
Purchased Wastewater Service	507,247	
Utilities	58,298	
Repairs and Maintenance	759,334	
Depreciation		
Other	237,255	8,060
Capital Outlay	99,292	
Debt Service:		
Bond Principal		570,000
Bond Interest		477,705
TOTAL EXPENDITURES/EXPENSES	\$ 3,832,352	\$ 1,130,976
NET CHANGE IN FUND BALANCES	\$ 1,083,053	\$ 33,069
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - NOVEMBER 1, 2023	2,877,180	1,448,703
FUND BALANCES/NET POSITION - OCTOBER 31, 2024	\$ 3,960,233	\$ 1,481,772

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,697,116	\$ 31,768	\$ 2,728,884
	905,161		905,161
	1,182,681		1,182,681
	796,236		796,236
	74,759	7,232	81,991
	116,750		116,750
234,937	541,684		541,684
<u>\$ 234,937</u>	<u>\$ 6,314,387</u>	<u>\$ 39,000</u>	<u>\$ 6,353,387</u>
\$ 1,679	\$ 352,923	\$	\$ 352,923
	1,140,955		1,140,955
	753,938		753,938
	507,247		507,247
	58,298		58,298
	759,334		759,334
		588,710	588,710
60	245,375		245,375
167,785	267,077	(267,077)	
	570,000	(570,000)	
	477,705	(5,757)	471,948
<u>\$ 169,524</u>	<u>\$ 5,132,852</u>	<u>\$ (254,124)</u>	<u>\$ 4,878,728</u>
\$ 65,413	\$ 1,181,535	\$ (1,181,535)	\$
		1,474,659	1,474,659
4,195,189	8,521,072	(2,099,400)	6,421,672
<u>\$ 4,260,602</u>	<u>\$ 9,702,607</u>	<u>\$ (1,806,276)</u>	<u>\$ 7,896,331</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, 2024

Net Change in Fund Balances - Governmental Funds	\$ 1,181,535
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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 government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.	31,768
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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.	7,232
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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.	(588,710)
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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.	267,077
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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.	570,000
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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.	5,757
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Change in Net Position - Governmental Activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ 1,474,659</div>
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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, 2024

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, 2024

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 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, 2024

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. Property taxes considered available by the District and included in revenue include the 2023 tax levy collections during the period October 1, 2023, to October 31, 2024, and taxes collected from November 1, 2023, to October 31, 2024, for the 2022 and prior tax levies. The 2024 tax levy has been fully deferred.

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, 2024, the Debt Service Fund owed the General Fund \$21,397 for maintenance tax collections.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2024

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:

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

Budgeting

A 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, 2024

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 appropriable 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, 2024

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

The District has authorized but unissued unlimited tax bonds for utilities 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.

Bonds outstanding at year end include the following issues:

	Refunding Series 2016	Series 2021	Refunding Series 2021A
Amount Outstanding – October 31, 2024	\$ 5,125,000	\$ 5,870,000	\$ 7,180,000
Interest Rates	4.00%	1.00% - 2.00%	2.00 - 4.00%
Maturity Dates – Beginning/Ending	October 1, 2025/2035	October 1, 2025/2045	October 1, 2025/2042
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, 2024

NOTE 3. LONG-TERM DEBT (Continued)

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

	November 1, 2023	Additions	Retirements	October 31, 2024
Bonds Payable	\$ 18,745,000	\$	\$ 570,000	\$ 18,175,000
Unamortized Discounts	(70,065)		(3,760)	(66,305)
Unamortized Premiums	483,003		38,675	444,328
Bonds Payable, Net	<u>\$ 19,157,938</u>	<u>\$ -0-</u>	<u>\$ 604,915</u>	<u>\$ 18,553,023</u>
Amount Due Within One Year				\$ 590,000
Amount Due After One Year				17,963,023
Bonds Payable, Net				<u>\$ 18,553,023</u>

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

Fiscal Year	Principal	Interest	Total
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
2030-2034	3,840,000	1,549,549	5,389,549
2035-2039	4,505,000	954,476	5,459,476
2040-2044	5,355,000	469,169	5,824,169
2045	1,280,000	25,600	1,305,600
	<u>\$ 18,175,000</u>	<u>\$ 5,093,619</u>	<u>\$ 23,268,619</u>

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, 2024, the District levied an ad valorem debt service tax rate of \$0.185 per \$100 of assessed valuation, which resulted in a tax levy of \$993,625 on the adjusted taxable valuation of \$537,095,205 for the 2024 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, 2024

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 \$1,180,159 and the bank balance was \$1,395,885. 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, 2024

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, 2024, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 142,251	\$ 477,531	\$ 619,782
DEBT SERVICE FUND	83,482	472,482	555,964
CAPITAL PROJECTS FUND	4,413		4,413
TOTAL DEPOSITS	<u>\$ 230,146</u>	<u>\$ 950,013</u>	<u>\$ 1,180,159</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 which is reviewed annually and which 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, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

As of October 31, 2024, 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	\$ 3,586,700	\$ 3,586,700
Certificates of Deposit	477,531	477,531
<u>DEBT SERVICE FUND</u>		
TexPool	943,137	943,137
Certificates of Deposit	472,482	472,482
<u>CAPITAL PROJECTS FUND</u>		
TexPool	4,263,678	4,263,678
TOTAL INVESTMENTS	<u><u>\$ 9,743,528</u></u>	<u><u>\$ 9,743,528</u></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 since 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, 2024

NOTE 6. CAPITAL ASSETS

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

	November 1, 2023	Increases	Decreases	October 31, 2024
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 189,782	\$	\$	\$ 189,782
Construction in Progress	<u>219,797</u>	<u>267,077</u>	<u>121,799</u>	<u>365,075</u>
Total Capital Assets Not Being Depreciated	<u>\$ 409,579</u>	<u>\$ 267,077</u>	<u>\$ 121,799</u>	<u>\$ 554,857</u>
Capital Assets Subject to Depreciation				
Water System	\$ 12,432,685	\$ 67,538	\$	\$ 12,500,223
Wastewater System	11,319,277			11,319,277
Drainage System	4,804,182			4,804,182
Vehicle	23,940	54,261		78,201
Capacity Interest in the City of Houston Wastewater Treatment Plant	<u>1,783,659</u>			<u>1,783,659</u>
Total Capital Assets Subject to Depreciation	<u>\$ 30,363,743</u>	<u>\$ 121,799</u>	<u>\$ - 0 -</u>	<u>\$ 30,485,542</u>
Accumulated Depreciation				
Water System	\$ 4,674,157	\$ 270,284	\$	\$ 4,944,441
Wastewater System	4,032,251	229,052		4,261,303
Drainage System	3,654,875	79,196		3,734,071
Vehicle	21,670	10,178		31,848
Capacity Interest in the City of Houston Wastewater Treatment Plant	<u>1,783,659</u>			<u>1,783,659</u>
Total Accumulated Depreciation	<u>\$ 14,166,612</u>	<u>\$ 588,710</u>	<u>\$ - 0 -</u>	<u>\$ 14,755,322</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 16,197,131</u>	<u>\$ (466,911)</u>	<u>\$ - 0 -</u>	<u>\$ 15,730,220</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 16,606,710</u></u>	<u><u>\$ (199,834)</u></u>	<u><u>\$ 121,799</u></u>	<u><u>\$ 16,285,077</u></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, 2024, the District levied an ad valorem maintenance tax rate of \$0.348 per \$100 of assessed valuation, which resulted in a tax levy of \$1,869,091 on the adjusted taxable valuation of \$537,095,205 for the 2024 tax year.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2024

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 \$507,247 for the fiscal year ended October 31, 2024.

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, 2024

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, 2024

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 \$753,938 for pumpage fees and surface water costs.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2

REQUIRED SUPPLEMENTARY INFORMATION

OCTOBER 31, 2024

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, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,485,000	\$ 1,673,054	\$ 188,054
Water Service	935,000	905,161	(29,839)
Wastewater Service	1,018,000	1,182,681	164,681
Water Authority Fees	800,000	796,236	(3,764)
Penalty and Interest	30,000	36,786	6,786
Investment and Miscellaneous Revenues	<u>100,000</u>	<u>321,487</u>	<u>221,487</u>
TOTAL REVENUES	<u>\$ 4,368,000</u>	<u>\$ 4,915,405</u>	<u>\$ 547,405</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 277,500	\$ 337,382	\$ (59,882)
Contracted Services	1,268,900	1,079,606	189,294
Water Authority Costs	950,000	753,938	196,062
Purchased Wastewater Service	525,000	507,247	17,753
Utilities	72,250	58,298	13,952
Repairs, Maintenance, Capital Outlay	972,000	858,626	113,374
Other	<u>264,650</u>	<u>237,255</u>	<u>27,395</u>
TOTAL EXPENDITURES	<u>\$ 4,330,300</u>	<u>\$ 3,832,352</u>	<u>\$ 497,948</u>
NET CHANGE IN FUND BALANCE	\$ 37,700	\$ 1,083,053	\$ 1,045,353
FUND BALANCE - NOVEMBER 1, 2023	<u>2,877,180</u>	<u>2,877,180</u>	
FUND BALANCE - OCTOBER 31, 2024	<u>\$ 2,914,880</u>	<u>\$ 3,960,233</u>	<u>\$ 1,045,353</u>

The accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
OCTOBER 31, 2024

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
SERVICES AND RATES
FOR THE YEAR ENDED OCTOBER 31, 2024

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	<u>2,287</u>	<u>2,253</u>	x 1.0	<u>2,253</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>2,286</u>		<u>2,720</u>
Total Wastewater Connections	<u>2,304</u>	<u>2,270</u>	x 1.0	<u>2,270</u>

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

Gallons pumped into system:	1,911,000	Water Accountability Ratio: 94.3% (Gallons billed and sold/Gallons pumped and purchased)
Gallons purchased:	153,764,000	From: North Fort Bend Water Authority and Fort Bend County Municipal Utility District No. 119
Gallons billed to customers:	146,777,000	

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
SERVICES AND RATES
FOR THE YEAR ENDED OCTOBER 31, 2024

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, 2024

PROFESSIONAL FEES:	
Auditing	\$ 20,000
Engineering	99,986
Legal	<u>217,396</u>
TOTAL PROFESSIONAL FEES	<u>\$ 337,382</u>
WATER AUTHORITY COSTS	<u>\$ 753,938</u>
PURCHASED WASTEWATER SERVICE	<u>\$ 507,247</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 34,059
Operations and Billing	221,663
Solid Waste Disposal	629,392
Security	<u>194,492</u>
TOTAL CONTRACTED SERVICES	<u>\$ 1,079,606</u>
UTILITIES	<u>\$ 58,298</u>
REPAIRS AND MAINTENANCE	<u>\$ 759,334</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 32,115
Election Costs	5,071
Insurance	27,592
Legal Notices	4,784
Office Supplies and Postage	35,266
Payroll Taxes and Administration	15,466
Travel and Meetings	9,590
Other	<u>13,132</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 143,016</u>
CAPITAL OUTLAY	<u>\$ 99,292</u>
OTHER EXPENDITURES:	
Chemicals	\$ 46,306
Laboratory Fees	17,682
Permit Fees	5,510
Connection and Inspection Fees	14,598
Regulatory Assessment	<u>10,143</u>
TOTAL OTHER EXPENDITURES	<u>\$ 94,239</u>
TOTAL EXPENDITURES	<u><u>\$ 3,832,352</u></u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
INVESTMENTS
OCTOBER 31, 2024

<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	\$ 3,586,700	\$
Certificate of Deposit	XXXX1458	5.31%	12/29/24	236,147	4,226
Certificate of Deposit	XXXX6441	5.25%	12/14/24	241,384	4,791
TOTAL GENERAL FUND				<u>\$ 4,064,231</u>	<u>\$ 9,017</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 943,137	\$
Certificate of Deposit	XXXX7969	5.50%	02/11/25	230,000	9,115
Certificate of Deposit	XXXX6817	5.22%	03/02/25	107,780	909
Certificate of Deposit	XXXX6787	5.22%	02/02/25	134,702	1,734
TOTAL DEBT SERVICE FUND				<u>\$ 1,415,619</u>	<u>\$ 11,758</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 4,263,678	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 9,743,528</u>	<u>\$ 20,775</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, 2024

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
NOVEMBER 1, 2023	\$ 1,702,839		\$ 1,048,223	
Adjustments to Beginning				
Balance	<u>(8,974)</u>	\$ 1,693,865	<u>(5,941)</u>	\$ 1,042,282
Original 2023 Tax Levy	\$ 1,862,481		\$ 990,112	
Adjustment to 2023 Tax Levy	<u>6,610</u>	<u>1,869,091</u>	<u>3,513</u>	<u>993,625</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 3,562,956		\$ 2,035,907
TAX COLLECTIONS:				
Prior Years	\$ 1,654,312		\$ 1,012,594	
Current Year	<u>14,463</u>	<u>1,668,775</u>	<u>7,689</u>	<u>1,020,283</u>
TAXES RECEIVABLE -				
OCTOBER 31, 2024		<u><u>\$ 1,894,181</u></u>		<u><u>\$ 1,015,624</u></u>
TAXES RECEIVABLE BY				
YEAR:				
2024		\$ 1,854,628		\$ 985,936
2023		26,194		16,029
2022		4,474		3,464
2021		1,966		1,898
2020		1,474		1,802
2019 and prior		<u>5,445</u>		<u>6,495</u>
		<u><u>\$ 1,894,181</u></u>		<u><u>\$ 1,015,624</u></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, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
PROPERTY VALUATIONS:				
Land	\$ 91,030,824	\$ 71,034,522	\$ 71,106,964	\$ 61,548,284
Improvements	524,689,080	522,102,674	472,241,056	359,508,925
Personal Property	7,651,767	7,440,566	6,581,610	6,310,870
Exemptions	<u>(86,276,466)</u>	<u>(92,466,693)</u>	<u>(87,835,679)</u>	<u>(40,328,054)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 537,095,205</u>	<u>\$ 508,111,069</u>	<u>\$ 462,093,951</u>	<u>\$ 387,040,025</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.185	\$ 0.205	\$ 0.24	\$ 0.28
Maintenance	<u>0.348</u>	<u>\$ 0.335</u>	<u>0.31</u>	<u>0.29</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.533</u>	<u>\$ 0.540</u>	<u>\$ 0.55</u>	<u>\$ 0.57</u>
ADJUSTED TAX LEVY*	<u>\$ 2,862,716</u>	<u>\$ 2,743,799</u>	<u>\$ 2,541,516</u>	<u>\$ 2,206,128</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>0.77</u> %	<u>98.46</u> %	<u>99.69</u> %	<u>99.82</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, 2024

S E R I E S - 2 0 1 6 R E F U N D I N G			
Due During Fiscal Years Ending October 31	Principal Due October 1	Interest Due April 1/ October 1	Total
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>\$ 5,125,000</u>	<u>\$ 1,330,600</u>	<u>\$ 6,455,600</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
OCTOBER 31, 2024

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
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>\$ 5,870,000</u>	<u>\$ 1,773,275</u>	<u>\$ 7,643,275</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
OCTOBER 31, 2024

S E R I E S - 2 0 2 1 A R E F U N D I N G			
Due During Fiscal Years Ending October 31	Principal Due October 1	Interest Due April 1/ October 1	Total
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>\$ 7,180,000</u>	<u>\$ 1,989,744</u>	<u>\$ 9,169,744</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
OCTOBER 31, 2024

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending October 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
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>\$ 18,175,000</u>	<u>\$ 5,093,619</u>	<u>\$ 23,268,619</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, 2024

Description	Original Bonds Issued	Bonds Outstanding November 1, 2023
Fort Bend County Municipal Utility District No. 2 Unlimited Tax Refunding Bonds - Series 2016	\$ 5,795,000	\$ 5,465,000
Fort Bend County Municipal Utility District No. 2 Unlimited Tax Bonds - Series 2021	6,180,000	5,990,000
Fort Bend County Municipal Utility District No. 2 Unlimited Tax Refunding Bonds - Series 2021A	<u>7,925,000</u>	<u>7,290,000</u>
	<u>\$ 19,900,000</u>	<u>\$ 18,745,000</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 Outstanding October 31, 2024	Paying Agent
Bonds Sold	Retirements			
	Principal	Interest		
\$	\$ 340,000	\$ 215,200	\$ 5,125,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	120,000	107,805	5,870,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	110,000	154,700	7,180,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 570,000</u>	<u>\$ 477,705</u>	<u>\$ 18,175,000</u>	

Debt Service Fund cash and investment balances as of October 31, 2024: \$ 1,499,101

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 1,108,029

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		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 1,673,054	\$ 1,430,877	\$ 1,117,547
Water Service	905,161	927,111	874,615
Wastewater Service	1,182,681	867,747	808,062
Water Authority Fees	796,236	878,603	810,299
Penalty and Interest	36,786	30,819	27,653
Connection, Inspection, and Other Fees	116,750	76,203	73,295
Investment and Miscellaneous Revenues	204,737	156,338	42,589
TOTAL REVENUES	<u>\$ 4,915,405</u>	<u>\$ 4,367,698</u>	<u>\$ 3,754,060</u>
EXPENDITURES			
Professional Fees	\$ 337,382	\$ 247,078	\$ 238,111
Contracted Services	1,079,606	1,031,484	827,112
Water Authority Costs	753,938	910,263	813,309
Purchased Wastewater Service	507,247	488,559	445,559
Utilities	58,298	72,339	58,813
Repairs and Maintenance	759,334	663,027	1,409,145
Other	237,255	203,826	169,330
Capital Outlay	99,292	271,079	
TOTAL EXPENDITURES	<u>\$ 3,832,352</u>	<u>\$ 3,887,655</u>	<u>\$ 3,961,379</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 1,083,053</u>	<u>\$ 480,043</u>	<u>\$ (207,319)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	<u>\$ - 0 -</u>	<u>\$ (30,531)</u>	<u>\$ (3,229)</u>
NET CHANGE IN FUND BALANCE	\$ 1,083,053	\$ 449,512	\$ (210,548)
BEGINNING FUND BALANCE	<u>2,877,180</u>	<u>2,427,668</u>	<u>2,638,216</u>
ENDING FUND BALANCE	<u>\$ 3,960,233</u>	<u>\$ 2,877,180</u>	<u>\$ 2,427,668</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2021	2020	2024	2023	2022	2021	2020
\$ 1,000,410	\$ 950,920	34.0 %	32.8 %	29.8 %	28.5 %	26.6 %
800,201	824,223	18.4	21.2	23.3	22.8	23.1
793,930	823,959	24.1	19.9	21.5	22.6	23.1
731,384	752,588	16.2	20.1	21.6	20.8	21.1
17,624	16,295	0.7	0.7	0.7	0.5	0.5
70,430	139,226	2.4	1.7	2.0	2.0	3.9
96,718	61,460	4.2	3.6	1.1	2.8	1.7
<u>\$ 3,510,697</u>	<u>\$ 3,568,671</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 278,541	\$ 372,969	6.9 %	5.7 %	6.3 %	7.9 %	10.5 %
808,494	845,098	22.0	23.6	22.0	23.0	23.7
746,041	744,012	15.3	20.8	21.7	21.3	20.8
440,061	429,874	10.3	11.2	11.9	12.5	12.0
58,422	55,671	1.2	1.7	1.6	1.7	1.6
592,635	599,824	15.4	15.2	37.5	16.9	16.8
251,600	196,682	4.8	4.7	4.5	7.2	5.5
	38,924	2.0	6.2			1.1
<u>\$ 3,175,794</u>	<u>\$ 3,283,054</u>	<u>77.9 %</u>	<u>89.1 %</u>	<u>105.5 %</u>	<u>90.5 %</u>	<u>92.0 %</u>
<u>\$ 334,903</u>	<u>\$ 285,617</u>	<u>22.1 %</u>	<u>10.9 %</u>	<u>(5.5) %</u>	<u>9.5 %</u>	<u>8.0 %</u>
<u>\$ 57,022</u>	<u>\$ 1,000</u>					
\$ 391,925	\$ 286,617					
<u>2,246,291</u>	<u>1,959,674</u>					
<u>\$ 2,638,216</u>	<u>\$ 2,246,291</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		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 1,024,062	\$ 1,111,478	\$ 1,080,489
Penalty and Interest	37,973	52,354	35,073
Investment and Miscellaneous Revenues	102,010	79,397	28,051
TOTAL REVENUES	<u>\$ 1,164,045</u>	<u>\$ 1,243,229</u>	<u>\$ 1,143,613</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 80,797	\$ 79,124	\$ 86,257
Debt Service Principal	570,000	550,000	530,000
Debt Service Interest and Fees	480,179	496,355	511,505
Bond Issuance Costs			
TOTAL EXPENDITURES	<u>\$ 1,130,976</u>	<u>\$ 1,125,479</u>	<u>\$ 1,127,762</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 33,069</u>	<u>\$ 117,750</u>	<u>\$ 15,851</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Refunding Bonds	\$	\$	\$
Transfer to Refunded Bond Escrow Agent			
Bond Discount			
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 33,069	\$ 117,750	\$ 15,851
BEGINNING FUND BALANCE	<u>1,448,703</u>	<u>1,330,953</u>	<u>1,315,102</u>
ENDING FUND BALANCE	<u>\$ 1,481,772</u>	<u>\$ 1,448,703</u>	<u>\$ 1,330,953</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>2,286</u>	<u>2,278</u>	<u>2,287</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>2,270</u>	<u>2,266</u>	<u>2,274</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2021	2020	2024	2023	2022	2021	2020
\$ 1,224,458	\$ 1,266,701	87.9 %	89.4 %	94.4 %	95.9 %	95.5 %
40,722	30,025	3.3	4.2	3.1	3.2	2.3
10,894	28,966	8.8	6.4	2.5	0.9	2.2
<u>\$ 1,276,074</u>	<u>\$ 1,325,692</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 79,492	\$ 64,018	6.9 %	6.4 %	7.5 %	6.2 %	4.8 %
480,000	390,000	49.0	44.2	46.3	37.6	29.4
486,081	534,156	41.3	39.9	44.7	38.1	40.3
301,863					23.7	
<u>\$ 1,347,436</u>	<u>\$ 988,174</u>	<u>97.2 %</u>	<u>90.5 %</u>	<u>98.5 %</u>	<u>105.6 %</u>	<u>74.5 %</u>
\$ (71,362)	\$ 337,518	2.8 %	9.5 %	1.5 %	(5.6) %	25.5 %
\$ 7,925,000	\$					
(7,542,136)						
(78,733)						
<u>\$ 304,131</u>	<u>\$ - 0 -</u>					
\$ 232,769	\$ 337,518					
1,082,333	744,815					
<u>\$ 1,315,102</u>	<u>\$ 1,082,333</u>					
<u>2,282</u>	<u>2,288</u>					
<u>2,271</u>	<u>2,275</u>					

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
OCTOBER 31, 2024

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, 2024</u>	<u>Expense Reimbursements for the year ended October 31, 2024</u>	<u>Title</u>
Pam Kelley	05/22 05/26 (Elected)	\$ 3,315	\$ 3	President
Betty J. Stewart	05/24 05/28 (Elected)	\$ 7,200	\$ 2,867	Vice President
Jessica Fateh	05/22 05/26 (Elected)	\$ 7,200	\$ 11	Assistant Vice President
Lisa Dudley	05/22 05/26 (Elected)	\$ 7,200	\$ 362	Secretary
Jose Luis Fuentes Mendoza	05/24 05/28 (Elected)	\$ 7,200	\$ 2,602	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: May 15, 2024

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, 2024

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended October 31, 2024</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	07/28/03	\$ 171,712	Attorney
McCall Gibson Swedlund Barfoot Ellis PLLC	06/27/17	\$ 20,000	Auditor
Myrtle Cruz, Inc.	03/22/04	\$ 37,772	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	02/22/93	\$ 13,862	Delinquent Tax Attorney
IDS Engineering Group	05/28/96	\$ 246,355	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	\$ 841,712	Operator
Assessments of the Southwest, Inc.	09/23/08	\$ 34,609	Tax Assessor/ Collector

See accompanying independent auditor's report.