

**FULSHEAR MUNICIPAL  
UTILITY DISTRICT NO. 2  
FORT BEND COUNTY, TEXAS  
FINANCIAL REPORT  
February 28, 2023**



## Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
<b>BASIC FINANCIAL STATEMENTS</b>		
Statement of Net Position and Governmental Funds Balance Sheet		16
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		17
Notes to Financial Statements		19
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Budgetary Comparison Schedule – General Fund		34
Notes to Required Supplementary Information		35
<b>TEXAS SUPPLEMENTARY INFORMATION</b>		
Services and Rates	TSI-1	38
General Fund Expenditures	TSI-2	40
Investments	TSI-3	41
Taxes Levied and Receivable	TSI-4	42
Long-Term Debt Service Requirements by Years	TSI-5	43
Change in Long-Term Bonded Debt	TSI-6	44
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	46
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	48
Board Members, Key Personnel and Consultants	TSI-8	50



# McGRATH & CO., PLLC

*Certified Public Accountants*

2900 North Loop West, Suite 880

Houston, Texas 77092

## Independent Auditor's Report

Board of Directors  
Fulshear 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 Fulshear Municipal Utility District No. 2 (the "District"), as of and for the year ended February 28, 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 Fulshear Municipal Utility District No. 2, as of February 28, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

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

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

**Required Supplementary Information**

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

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

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

**Supplementary Information**

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

*W. G. G. & Co., P.C.*

Houston, Texas  
June 28, 2023

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## **Management's Discussion and Analysis**

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***Fulshear Municipal Utility District No. 2  
Management's Discussion and Analysis  
February 28, 2023***

## **Using this Annual Report**

Within this section of the financial report of Fulshear Municipal Utility District No. 2 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended February 28, 2023. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

## **Overview of the Financial Statements**

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

## **Government-Wide Financial Statements**

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

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

***Fulshear Municipal Utility District No. 2  
Management's Discussion and Analysis  
February 28, 2023***

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

**Fund Financial Statements**

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

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

**Financial Analysis of the District as a Whole**

The District's net position at February 28, 2023, was negative \$12,725,573. The District's net position is negative because the District incurs debt to construct water, sewer, and drainage facilities and road improvements which it conveys to the City of Fulshear. A comparative summary of the District's overall financial position, as of February 28, 2023 and 2022, is as follows:

	2023	2022
Current and other assets	\$ 1,964,084	\$ 1,344,066
Capital assets	2,203,610	2,288,165
Total assets	<u>4,167,694</u>	<u>3,632,231</u>
Current liabilities	178,627	75,410
Long-term liabilities	16,714,640	16,814,640
Total liabilities	<u>16,893,267</u>	<u>16,890,050</u>
Net position		
Net investment in capital assets	(4,457,770)	(4,335,100)
Restricted	555,542	329,731
Unrestricted	(8,823,345)	(9,252,450)
Total net position	<u>\$ (12,725,573)</u>	<u>\$ (13,257,819)</u>

***Fulshear Municipal Utility District No. 2  
Management's Discussion and Analysis  
February 28, 2023***

The total net position of the District increased during the current fiscal year by \$532,246. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2023	2022
Revenues		
Property taxes, penalties and interest	\$ 992,700	\$ 629,949
Other	9,593	65
Total revenues	<u>1,002,293</u>	<u>630,014</u>
Expenses		
Operating and administrative	162,448	124,196
Debt interest and fees	163,044	163,044
Depreciation	144,555	144,555
Total expenses	<u>470,047</u>	<u>431,795</u>
Change in net position before other item	532,246	198,219
Other item		
Transfers to other governments	<u>                    </u>	<u>(4,622,488)</u>
Change in net position	532,246	(4,424,269)
Net position, beginning of year	(13,257,819)	(8,833,550)
Net position, end of year	<u>\$ (12,725,573)</u>	<u>\$ (13,257,819)</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances, as of February 28, 2023, were \$1,862,225, which consists of \$1,306,683 in the General Fund and \$555,542 in the Debt Service Fund.

*General Fund*

A comparative summary of the General Fund's financial position as of February 28, 2023 and 2022 is as follows:

	2023	2022
Total assets	<u>\$ 1,366,977</u>	<u>\$ 1,003,304</u>
Total liabilities	\$ 9,881	\$ 7,475
Total deferred inflows	50,413	17,510
Total fund balance	1,306,683	978,319
Total liabilities, deferred inflows and fund balance	<u>\$ 1,366,977</u>	<u>\$ 1,003,304</u>

***Fulshear Municipal Utility District No. 2  
Management’s Discussion and Analysis  
February 28, 2023***

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

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 529,798	\$ 408,475
Total expenditures	(201,434)	(108,361)
Revenues over expenditures	<u>\$ 328,364</u>	<u>\$ 300,114</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District’s primary financial resources in the General Fund are from a property tax levy, which is dependent upon assessed values in the District and the maintenance tax rate set by the district. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.

*Debt Service Fund*

A comparative summary of the Debt Service Fund’s financial position as of February 28, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 597,107</u>	<u>\$ 340,680</u>
Total liabilities	\$ 811	\$ -
Total deferred inflows	40,754	10,949
Total fund balance	555,542	329,731
Total liabilities, deferred inflows and fund balance	<u>\$ 597,107</u>	<u>\$ 340,680</u>

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

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 409,787	\$ 220,060
Total expenditures	(183,976)	(178,679)
Revenues over expenditures	<u>\$ 225,811</u>	<u>\$ 41,381</u>

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

***Fulshear Municipal Utility District No. 2  
 Management’s Discussion and Analysis  
 February 28, 2023***

*Capital Projects Fund*

A comparative summary of the Capital Projects Fund’s financial position as of February 28, 2023 and 2022 is as follows:

	2023	2022
Total assets	<u>\$ -</u>	<u>\$ 82</u>
Total fund balance	<u>\$ -</u>	<u>\$ 82</u>

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

	2023	2022
Total revenues	<u>\$ -</u>	<u>\$ -</u>
Total expenditures	<u>(82)</u>	<u>(200)</u>
Revenues under expenditures	<u>\$ (82)</u>	<u>\$ (200)</u>

During the current fiscal year, the District used its remaining surplus bond proceeds for current year expenditures. As of February 28, 2023, the District has expended all of its financial resources in the Capital Projects Fund.

**General Fund Budgetary Highlights**

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

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$59,956 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

**Capital Assets**

The District has entered into a financing agreement with its developer for the financing of the construction of capital assets within the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District’s financial statements upon completion of construction.

***Fulshear Municipal Utility District No. 2  
Management’s Discussion and Analysis  
February 28, 2023***

Capital assets held by the District at February 28, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Capital assets not being depreciated		
Land and improvements	\$ 110,000	\$ 50,000
Capital assets being depreciated		
Landscaping improvements	2,891,100	2,891,100
Less accumulated depreciation	<u>(797,490)</u>	<u>(652,935)</u>
Depreciable capital assets, net	<u>2,093,610</u>	<u>2,238,165</u>
Capital assets, net	<u>\$ 2,203,610</u>	<u>\$ 2,288,165</u>

The developer and the City of Fulshear (the “City”) have entered into an agreement which obligates the developer to construct water, sewer and drainage facilities, and road improvements to serve the District and, when completed, to convey title to the facilities to the City. The values of these assets are recorded as transfers to other governments upon completion of construction and trued-up when the developer is reimbursed. Detention facilities and certain other capital assets are retained by the District. See Note 9 for additional information.

**Long-Term Debt and Related Liabilities**

As of February 28, 2023, the District owes approximately \$12,484,640 to its developer for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District’s financial statements upon completion of construction. District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At February 28, 2023 and 2022, the District had total bonded debt outstanding as shown below:

<u>Series</u>	<u>2023</u>	<u>2022</u>
2019 Road	\$ 4,330,000	\$ 4,330,000

At February 28, 2023, the District had \$132,000,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District, and the refunding of such bonds; \$43,000,000 for parks and recreational facilities and for the refunding of such bonds; and \$80,670,000 for road improvements and for the refunding of such bonds.



*Fulshear Municipal Utility District No. 2  
Management's Discussion and Analysis  
February 28, 2023*

**Next Year's Budget**

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

	<u>2023 Actual</u>	<u>2024 Budget</u>
Total revenues	\$ 529,798	\$ 555,000
Total expenditures	<u>(201,434)</u>	<u>(150,319)</u>
Revenues over expenditures	328,364	404,681
Beginning fund balance	978,319	1,306,683
Ending fund balance	<u>\$ 1,306,683</u>	<u>\$ 1,711,364</u>

**Property Taxes**

The District's property tax base increased approximately \$87,360,000 for the 2023 tax year from \$81,143,982 to \$168,503,934, based on preliminary values. This increase was primarily due to new construction in the District.

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## **Basic Financial Statements**

**Fulshear Municipal Utility District No. 2**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**February 28, 2023**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 779,240	\$ 129,546	\$ -	\$ 908,786	\$ -	\$ 908,786
Investments	484,387	476,841		961,228		961,228
Taxes receivable	50,413	40,754		91,167		91,167
Internal balances	50,034	(50,034)				
Prepaid items	2,903			2,903		2,903
Capital assets not being depreciated					110,000	110,000
Capital assets, net					2,093,610	2,093,610
Total Assets	<u>\$ 1,366,977</u>	<u>\$ 597,107</u>	<u>\$ -</u>	<u>\$ 1,964,084</u>	<u>\$ 2,203,610</u>	<u>\$ 4,167,694</u>
<b>Liabilities</b>						
Accounts payable	\$ 9,881	\$ -	\$ -	\$ 9,881		9,881
Other payables		811		811		811
Accrued interest payable					67,935	67,935
Due to developer					12,484,640	12,484,640
Long-term debt						
Due within one year					100,000	100,000
Due after one year					4,230,000	4,230,000
Total Liabilities	<u>9,881</u>	<u>811</u>	<u>-</u>	<u>10,692</u>	<u>16,882,575</u>	<u>16,893,267</u>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	<u>50,413</u>	<u>40,754</u>	<u>-</u>	<u>91,167</u>	<u>(91,167)</u>	
<b>Fund Balances/Net Position</b>						
<b>Fund Balances</b>						
Nonspendable	2,903			2,903	(2,903)	
Restricted		555,542		555,542	(555,542)	
Unassigned	<u>1,303,780</u>			<u>1,303,780</u>	<u>(1,303,780)</u>	
Total Fund Balances	<u>1,306,683</u>	<u>555,542</u>	<u>-</u>	<u>1,862,225</u>	<u>(1,862,225)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,366,977</u>	<u>\$ 597,107</u>	<u>\$ -</u>	<u>\$ 1,964,084</u>		
<b>Net Position</b>						
Net investment in capital assets					(4,457,770)	(4,457,770)
Restricted for debt service					555,542	555,542
Unrestricted					(8,823,345)	(8,823,345)
Total Net Position					<u>\$ (12,725,573)</u>	<u>\$ (12,725,573)</u>

See notes to basic financial statements.

*Fulshear Municipal Utility District No. 2*  
*Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*  
*For the Year Ended February 28, 2023*

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 525,218	\$ 399,840	\$ -	\$ 925,058	\$ 58,214	\$ 983,272
Penalties and interest		4,934		4,934	4,494	9,428
Investment earnings	4,580	5,013		9,593		9,593
<b>Total Revenues</b>	<b>529,798</b>	<b>409,787</b>		<b>939,585</b>	<b>62,708</b>	<b>1,002,293</b>
<b>Expenditures/Expenses</b>						
Operating and administrative						
Professional fees	44,858	750		45,608		45,608
Contracted services	11,941	14,963		26,904		26,904
Repairs and maintenance	64,951			64,951		64,951
Utilities	13,033			13,033		13,033
Administrative	6,651	4,814		11,465		11,465
Other		405	82	487		487
Capital outlay	60,000			60,000	(60,000)	
Debt service						
Interest and fees		163,044		163,044		163,044
Depreciation					144,555	144,555
<b>Total Expenditures/Expenses</b>	<b>201,434</b>	<b>183,976</b>	<b>82</b>	<b>385,492</b>	<b>84,555</b>	<b>470,047</b>
<b>Revenues Over/(Under)</b>						
<b>Expenditures</b>	328,364	225,811	(82)	554,093	(554,093)	
<b>Change in Net Position</b>						
					532,246	532,246
Fund Balance/Net Position						
Beginning of the year	978,319	329,731	82	1,308,132	(14,565,951)	(13,257,819)
<b>End of the year</b>	<b>\$ 1,306,683</b>	<b>\$ 555,542</b>	<b>\$ -</b>	<b>\$ 1,862,225</b>	<b>\$ (14,587,798)</b>	<b>\$ (12,725,573)</b>

See notes to basic financial statements.

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***Fulshear Municipal Utility District No. 2***  
***Notes to Financial Statements***  
***February 28, 2023***

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Fulshear Municipal Utility District No. 2 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

**Creation**

The District was created by an act by the Texas Legislature under Section 52, Article III and Section 59, Article XVI, as passed by the eighty-third (83rd) Texas Legislature on June 14, 2013, and operates in accordance with the Special District Local Laws Code, Chapter 8480 and the Texas Water Code, Chapter 49 and 54. The Board of Directors held its first meeting on January 29, 2015 and the first bonds were issued on March 28, 2019.

The District was created for the purpose of providing water, sewer and drainage facilities, parks, roads and other public infrastructure to facilitate the development of land within its boundaries. As further discussed in Note 9, the District transfers the water, sewer and drainage facilities, and road improvements to the City of Fulshear for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll, or pension costs.

**Reporting Entity**

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

**Government-Wide and Fund Financial Statements**

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

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Government-Wide and Fund Financial Statements (continued)**

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

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

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

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

**Measurement Focus and Basis of Accounting**

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

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

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



**Note 1 – Summary of Significant Accounting Policies (continued)**

**Use of Restricted Resources**

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

**Prepaid Items**

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

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At February 28, 2023, an allowance for uncollectible accounts was not considered necessary.

**Interfund Activity**

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

**Capital Assets**

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which consist of landscape improvements, are depreciated using the straight-line method over an estimated useful life of 20 years. The District's drainage channels are considered improvements to land are non-depreciable.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Deferred Inflows and Outflows of Financial Resources**

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

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

**Net Position – Governmental Activities**

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

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

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

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District’s nonspendable fund balance consists of prepaid items.

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

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

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Fund Balances – Governmental Funds (continued)**

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

Unassigned - all other spendable amounts in the General Fund.

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to the City of Fulshear and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

*Fulshear Municipal Utility District No. 2*  
*Notes to Financial Statements*  
*February 28, 2023*

**Note 2 – Adjustment from Governmental to Government-wide Basis**

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

Total fund balance, governmental funds		\$ 1,862,225
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 3,001,100	
Less accumulated depreciation	<u>(797,490)</u>	
Change due to capital assets		2,203,610
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable	(4,330,000)	
Interest payable on bonds	<u>(67,935)</u>	
Change due to long-term debt		(4,397,935)
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		
		(12,484,640)
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		
		91,167
Total net position - governmental activities		<u><u>\$ (12,725,573)</u></u>

*Fulshear Municipal Utility District No. 2*  
*Notes to Financial Statements*  
*February 28, 2023*

**Note 2 – Adjustment from Governmental to Government-wide Basis (continued)**

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

Net change in fund balances - total governmental funds	\$	554,093
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes and penalties and interest.		62,708
Governmental funds report capital outlays as expenditures in the funds; however, in the <i>Statement of Activities</i> , the cost of capital assets is charged to expense over the estimated useful life of the asset.		
Capital outlays	\$	60,000
Depreciation expense		<u>(144,555)</u>
		(84,555)
Change in net position of governmental activities	<u>\$</u>	<u>532,246</u>

**Note 3 – Deposits and Investments**

**Deposit Custodial Credit Risk**

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

### **Note 3 – Deposits and Investments (continued)**

#### **Investments**

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

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

#### **TexSTAR**

The District participates in Texas Short Term Asset Reserve fund (TexSTAR) which is managed by Hilltop Securities, Inc., and J.P. Morgan Investment Management, Inc. Hilltop Securities provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

The District's investment in TexSTAR is reported at fair value because TexSTAR uses fair value to report investments. Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District's investment in TexSTAR is measured using published fair value per share (level 1 inputs).

Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

*Fulshear Municipal Utility District No. 2*  
*Notes to Financial Statements*  
*February 28, 2023*

**Note 3 – Deposits and Investments (continued)**

**Investment Credit and Interest Rate Risk**

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

**Note 4 – Interfund Balances and Transactions**

Amounts due to/from other funds at February 28, 2023, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 50,034	Maintenance tax collections not remitted as of year end

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

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended February 28, 2023, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 50,000	\$ 60,000	\$ 110,000
Capital assets being depreciated			
Landscaping improvements	2,891,100		2,891,100
Less accumulated depreciation	(652,935)	(144,555)	(797,490)
Subtotal depreciable capital assets, net	2,238,165	(144,555)	2,093,610
Capital assets, net	\$ 2,288,165	\$ (84,555)	\$ 2,203,610

Depreciation expense for the current year was \$144,555.

**Fulshear Municipal Utility District No. 2**  
**Notes to Financial Statements**  
**February 28, 2023**

**Note 6 – Due to Developer**

The District has entered into a financing agreement with its developer for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. Under the agreements, the developer will advance funds for the construction of facilities to serve the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

The District’s developer has also advanced funds to the District for operating expenses.

The amount due to developer at February 28, 2023 is approximately \$12,484,640. There was no change in this liability from the prior year.

**Note 7 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 4,330,000
Due within one year	\$ 100,000

The District’s bonds payable at February 28, 2023, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2019 Road	\$ 4,330,000	\$ 4,330,000	3.00% - 4.00%	April 1, 2023/2046	April 1, October 1	April 1, 2024

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

At February 28, 2023, the District had authorized but unissued bonds in the amount of \$132,000,000 for the purpose of acquisition, constructing and improving the water, sewer, and drainage facilities and for the refunding of such bonds; \$43,000,000 for park and recreational facilities and for the refunding of such bonds; \$80,670,000 for road improvements and for the refunding of such bonds.

The District’s outstanding bonds payable as of February 28, 2023 is \$4,330,000. There was no change in this liability from the prior year.



*Fulshear Municipal Utility District No. 2*  
*Notes to Financial Statements*  
*February 28, 2023*

**Note 7 – Long-Term Debt (continued)**

As of February 28, 2023, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2024	\$ 100,000	\$ 161,544	\$ 261,544
2025	100,000	158,544	258,544
2026	100,000	155,544	255,544
2027	125,000	152,169	277,169
2028	125,000	148,419	273,419
2029	125,000	144,512	269,512
2030	125,000	140,372	265,372
2031	150,000	135,637	285,637
2032	150,000	130,294	280,294
2033	150,000	124,762	274,762
2034	150,000	119,137	269,137
2035	175,000	113,044	288,044
2036	175,000	106,372	281,372
2037	175,000	99,590	274,590
2038	200,000	92,200	292,200
2039	200,000	84,200	284,200
2040	200,000	76,200	276,200
2041	225,000	67,700	292,700
2042	225,000	58,700	283,700
2043	250,000	49,200	299,200
2044	250,000	39,200	289,200
2045	275,000	28,700	303,700
2046	275,000	17,700	292,700
2047	305,000	6,100	311,100
	<u>\$ 4,330,000</u>	<u>\$ 2,409,840</u>	<u>\$ 6,739,840</u>

**Note 8 – Property Taxes**

On January 29, 2015, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value, and \$1.50 per \$100 of assessed value for use in financing the maintenance of road improvements, and \$0.10 per \$100 of assessed value for use in financing the maintenance of parks and recreational facilities. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

*Fulshear Municipal Utility District No. 2*  
*Notes to Financial Statements*  
*February 28, 2023*

**Note 8 – Property Taxes (continued)**

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied property taxes of \$1.20 per \$100 of assessed value, of which \$0.71 was allocated to maintenance and operations and \$0.49 was allocated to road debt service. The resulting tax levy was \$973,728 on the adjusted taxable value of \$81,143,982.

Property taxes receivable, at February 28, 2023, consisted of the following:

Current year taxes receivable	\$	81,306
Prior years taxes receivable		3,504
		84,810
Penalty and interest receivable		6,357
Property taxes receivable	\$	91,167

**Note 9 – Development Agreement with the City of Fulshear**

On May 6, 2014, the District’s developer, DHK Fulshear LP (the “Developer”), and the City of Fulshear (the “City”) entered into a Developmental Agreement to establish the City’s regulatory authority over the development of the District, certain restrictions and commitments related to the development of the District, and to set forth detailed design and construction standards and stipulations regarding the conveyance of ownership of the District facilities to the City.

The Developer intends to make provisions for public water supply and distribution, wastewater collection and treatment, and drainage services through public utility facilities to be provided by the District and water supply and sanitary sewer treatment capacity provided by the City. The District is responsible for the design and construction of the water, sanitary sewer, and drainage facilities to serve the land within the District. All final plans must be approved by the City before construction. As the facilities are constructed and inspected by the City, the District shall transfer these facilities to the City (excluding detention ponds or drainage channels, which are owned and operated by the District) for ownership and operation. Additionally, the District constructs roadways to serve the District, which are accepted by the City for operation and maintenance.

Pursuant to the agreement, the District agree to pays the City a capacity charge of \$3,641 per equivalent single-family connection for water supply and distribution and sanity sewer treatment capacity.

*Fulshear Municipal Utility District No. 2*  
*Notes to Financial Statements*  
*February 28, 2023*

**Note 10 – Risk Management**

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

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## **Required Supplementary Information**

*Fulshear Municipal Utility District No. 2  
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund  
 For the Year Ended February 28, 2023*

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Property taxes	\$ 395,000	\$ 525,218	\$ 130,218
Investment earnings	100	4,580	4,480
Total Revenues	<u>395,100</u>	<u>529,798</u>	<u>134,698</u>
<b>Expenditures</b>			
Operating and administrative			
Professional fees	32,500	44,858	(12,358)
Contracted services	12,000	11,941	59
Repairs and maintenance	43,000	64,951	(21,951)
Utilities	12,000	13,033	(1,033)
Administrative	25,692	6,651	19,041
Other	1,500		1,500
Capital outlay		60,000	(60,000)
Total Expenditures	<u>126,692</u>	<u>201,434</u>	<u>(74,742)</u>
<b>Revenues Over Expenditures</b>	268,408	328,364	59,956
<b>Fund Balance</b>			
Beginning of the year	978,319	978,319	
<b>End of the year</b>	<u>\$ 1,246,727</u>	<u>\$ 1,306,683</u>	<u>\$ 59,956</u>

*Fulshear Municipal Utility District No. 2*  
*Notes to Required Supplementary Information*  
*February 28, 2023*

**Budgets and Budgetary Accounting**

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

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## **Texas Supplementary Information**

**Fulshear Municipal Utility District No. 2**  
**TSI-1. Services and Rates**  
**February 28, 2023**

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

- |  |   |  |  |
|--|---|--|--|
| <input type="checkbox"/> Retail Water                  | <input type="checkbox"/> Wholesale Water      | <input type="checkbox"/> Solid Waste/Garbage | <input checked="" type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater             | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control       | <input type="checkbox"/> Irrigation          |
| <input checked="" type="checkbox"/> Parks / Recreation | <input type="checkbox"/> Fire Protection      | <input checked="" type="checkbox"/> Roads    | <input type="checkbox"/> Security            |
- Participates in joint venture, regional system and/or wastewater service
- Other (Specify): Water, wastewater and drainage facilities accepted by the City of Fulshear

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y/N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage: Water \_\_\_\_\_ Wastewater \_\_\_\_\_

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____		_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.



*Fulshear Municipal Utility District No. 2  
 TSI-2 General Fund Expenditures  
 For the Year Ended February 28, 2023*

Professional fees	
Legal	\$ 32,558
Audit	11,000
Financial advisor	1,300
	<u>44,858</u>
Contracted services	
Bookkeeping	<u>11,941</u>
Repairs and maintenance	<u>64,951</u>
Utilities	<u>13,033</u>
Administrative	
Directors fees	2,273
Printing and office supplies	857
Insurance	3,011
Other	510
	<u>6,651</u>
Capital outlay	<u>60,000</u>
Total expenditures	<u>\$ 201,434</u>

See accompanying auditors' report.

*Fulshear Municipal Utility District No. 2*  
*TSI-3. Investments*  
*February 28, 2023*

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexSTAR	Variable	N/A	\$ 484,387
Debt Service			
TexSTAR	Variable	N/A	476,841
Total - All Funds			\$ 961,228

See accompanying auditors' report.

**Fulshear Municipal Utility District No. 2**  
**TSI-4. Taxes Levied and Receivable**  
**February 28, 2023**

	Maintenance Taxes	Road Debt Service Taxes	Total	
Taxes Receivable, Beginning of Year	\$ 17,510	\$ 9,087	\$ 26,597	
Adjustments to Prior Year Tax Levy	6,283	3,261	9,544	
Adjusted Receivable	23,793	12,348	36,141	
2022 Original Tax Levy	570,793	393,927	964,720	
Adjustments	5,330	3,678	9,008	
Adjusted Tax Levy	576,123	397,605	973,728	
Total to be accounted for	599,916	409,953	1,009,869	
Tax collections:				
Current year	528,017	364,405	892,422	
Prior years	21,486	11,151	32,637	
Total Collections	549,503	375,556	925,059	
Taxes Receivable, End of Year	\$ 50,413	\$ 34,397	\$ 84,810	
Taxes Receivable, By Years				
2022	\$ 48,106	\$ 33,200	\$ 81,306	
2021	2,307	1,197	3,504	
Taxes Receivable, End of Year	\$ 50,413	\$ 34,397	\$ 84,810	
	2022	2021	2020	2019
Property Valuations:				
Land	\$ 24,383,797	\$ 20,314,797	\$ 18,781,759	\$ 18,157,449
Improvements	65,092,402	33,047,846	26,112,730	17,863,212
Personal Property	132,060	129,470	110,390	33,620
Exemptions	(8,464,277)	(487,113)	(76,382)	(106,945)
Total Property Valuations	\$ 81,143,982	\$ 53,005,000	\$ 44,928,497	\$ 35,947,336
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.71	\$ 0.79	\$ 0.70	\$ 0.70
Road debt service tax rates	0.49	0.41	0.50	0.50
Total Tax Rates per \$100 Valuation	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20
Adjusted Tax Levy:	\$ 973,728	\$ 636,060	\$ 539,142	\$ 431,368
Percentage of Taxes Collected to Taxes Levied ****	91.65%	99.45%	100.00%	100.00%

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 14, 2015

\*\* Maximum Road Maintenance Tax Rate Approved by Voters: \$1.50 on May 14, 2015

\*\*\* Maximum Park and Recreational Facilities Maintenance Tax Rate

Approved by Voters: \$0.10 on May 14, 2015

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

See accompanying auditors' report.

*Fulshear Municipal Utility District No. 2*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2019 Road--by Years*  
*February 28, 2023*

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2024	\$ 100,000	\$ 161,544	\$ 261,544
2025	100,000	158,544	258,544
2026	100,000	155,544	255,544
2027	125,000	152,169	277,169
2028	125,000	148,419	273,419
2029	125,000	144,512	269,512
2030	125,000	140,372	265,372
2031	150,000	135,637	285,637
2032	150,000	130,294	280,294
2033	150,000	124,762	274,762
2034	150,000	119,137	269,137
2035	175,000	113,044	288,044
2036	175,000	106,372	281,372
2037	175,000	99,590	274,590
2038	200,000	92,200	292,200
2039	200,000	84,200	284,200
2040	200,000	76,200	276,200
2041	225,000	67,700	292,700
2042	225,000	58,700	283,700
2043	250,000	49,200	299,200
2044	250,000	39,200	289,200
2045	275,000	28,700	303,700
2046	275,000	17,700	292,700
2047	305,000	6,100	311,100
	<u>\$ 4,330,000</u>	<u>\$ 2,409,840</u>	<u>\$ 6,739,840</u>

See accompanying auditors' report.

***Fulshear Municipal Utility District No. 2***  
***TSI-6. Change in Long-Term Bonded Debt***  
***February 28, 2023***

	<u>Bond Issue</u> Series 2019 Road
Interest rate	3.00% - 4.00%
Dates interest payable	4/1 ; 10/1
Maturity dates	4/1/23 - 4/1/46
Beginning bonds outstanding	\$ 4,330,000
Bonds retired	<u>                    </u>
Ending bonds outstanding	<u>\$ 4,330,000</u>
Interest paid during fiscal year	<u>\$ 163,044</u>
Paying agent's name and city Series 2019 Road	<u>The Bank of New York Mellon Trust Company, N.A., Dallas, Texas</u>

	<u>Water, Sewer and</u> <u>Drainage Bonds</u>	<u>Road Bonds</u>	<u>Park and</u> <u>Recreational</u> <u>Bonds</u>
Bond Authority:			
Amount Authorized by Voters	\$ 132,000,000	\$ 85,000,000	\$ 43,000,000
Amount Issued		(4,330,000)	
Remaining To Be Issued	<u>\$ 132,000,000</u>	<u>\$ 80,670,000</u>	<u>\$ 43,000,000</u>

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

Debt Service Fund cash and investment balances as of February 28, 2023:	<u>\$ 606,387</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 280,827</u>

See accompanying auditors' report.



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***Fulshear Municipal Utility District No. 2***  
***TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund***  
***For the Last Five Fiscal Years***

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Property taxes	\$ 525,218	\$ 408,423	\$ 314,668	\$ 255,672	\$ 321,884
Penalties and interest					1,173
Investment earnings	4,580	52	488	595	342
Total Revenues	<u>529,798</u>	<u>408,475</u>	<u>315,156</u>	<u>256,267</u>	<u>323,399</u>
Expenditures					
Operating and administrative					
Professional fees	44,858	43,658	47,104	108,171	21,817
Contracted services	11,941	13,320	11,212	11,097	19,899
Repairs and maintenance	64,951	26,436	10,088	27,390	11,000
Utilities	13,033	12,864			
Administrative	6,651	12,083	6,236	5,880	13,702
Other			31		33
Capital outlay	60,000			50,000	
Debt service					
Interest and fees					63,060
Developer interest				36,694	
Debt issuance costs				7,836	2,922
Total Expenditures	<u>201,434</u>	<u>108,361</u>	<u>74,671</u>	<u>247,068</u>	<u>132,433</u>
Revenues Over Expenditures	<u>\$ 328,364</u>	<u>\$ 300,114</u>	<u>\$ 240,485</u>	<u>\$ 9,199</u>	<u>\$ 190,966</u>

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
99%	100%	100%	100%	100%
				*
1%	*	*	*	*
100%	100%	100%	100%	100%
8%	11%	15%	42%	7%
2%	3%	4%	4%	6%
12%	6%	3%	11%	3%
2%	3%			
1%	3%	2%	2%	4%
		*		*
11%			20%	
				19%
			14%	
			3%	1%
36%	26%	24%	96%	40%
64%	74%	76%	4%	60%

*Fulshear Municipal Utility District No. 2*

*TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund*

*For the Last Four Fiscal Years*

	Amounts			
	2023	2022	2021	2020
Revenues				
Property taxes	\$ 399,840	\$ 214,598	\$ 219,243	\$ 175,510
Penalties and interest	4,934	5,449	908	1,467
Investment earnings	5,013	13	229	396
Total Revenues	<u>409,787</u>	<u>220,060</u>	<u>220,380</u>	<u>177,373</u>
Expenditures				
Tax collection services	20,527	15,467	14,234	11,945
Other	405	168	161	182
Debt service				
Interest and fees	163,044	163,044	163,044	82,881
Total Expenditures	<u>183,976</u>	<u>178,679</u>	<u>177,439</u>	<u>95,008</u>
Revenues Over Expenditures	<u>\$ 225,811</u>	<u>\$ 41,381</u>	<u>\$ 42,941</u>	<u>\$ 82,365</u>

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2023	2022	2021	2020
98%	98%	100%	99%
1%	2%	*	1%
1%	*	*	*
100%	100%	100%	100%
5%	7%	6%	7%
*	*	*	*
40%	74%	74%	47%
45%	81%	80%	54%
55%	19%	20%	46%

***Fulshear Municipal Utility District No. 2  
TSI-8. Board Members, Key Personnel and Consultants  
For the Year Ended February 28, 2023***

Complete District Mailing Address: 9 Greenway Plaza, Suite 1000, Houston, Texas 77046-3653  
 District Business Telephone Number: (713) 651-0111  
 Submission Date of the most recent District Registration Form  
 (TWC Sections 36.054 and 49.054): May 21, 2020  
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
 (Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members</b>				
McCay Dickson	05/20 - 05/24	\$ 450	\$ -	President
Mary Alford	05/20 - 05/24	600		Vice President
Connie McMaken	05/20 - 05/26	600		Secretary
Jeff Hogan	05/20 - 05/26	600		Assistant Secretary
Joe Goodwin	05/20 - 05/26	450		Assistant Secretary
<b>Consultants</b>				
		Amounts Paid		
Coats Rose, P.C.	2015	\$ 32,793		Attorney
Myrtle Cruz, Inc.	2015	12,358		Bookkeeper
Bob Leared Interests	2015	8,160		Tax Collector
Fort Bend Central Appraisal District	Legislation	6,803		Property Valuation
Robert Deden Services, Inc.	2015			Engineer
McGrath & Co., PLLC	2017	11,000		Auditor
The GMS Group	2015	1,300		Financial Advisor

\* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.  
 See accompanying auditors' report.