

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Mission Bend Municipal Utility District No. 2 (the "District") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
Mission Bend Municipal
Utility District No. 2

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

January 30, 2024

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Management's discussion and analysis of Mission Bend Municipal Utility District No. 2's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2023. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Fund 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 of the District's assets, liabilities and, if applicable, deferred inflows and 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, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund financial 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 Fund Statement of Revenues, Expenditures and Changes in the 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"). The budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$22,815,572 as of September 30, 2023.

A portion of the District's net position reflects its net investment in capital assets (e.g. land, buildings and equipment as well as water, wastewater and drainage facilities, park facilities and trails, less any debt used to acquire those assets that is still outstanding).

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2023</u>	<u>2022</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 20,388,802	\$ 14,804,599	\$ 5,584,203
Capital Assets (Net of Accumulated Depreciation)	<u>16,139,824</u>	<u>15,746,416</u>	<u>393,408</u>
Total Assets	<u>\$ 36,528,626</u>	<u>\$ 30,551,015</u>	<u>\$ 5,977,611</u>
Long-Term Liabilities	\$ 11,996,344	\$ 7,671,452	\$ (4,324,892)
Other Liabilities	<u>1,716,710</u>	<u>1,631,241</u>	<u>(85,469)</u>
Total Liabilities	<u>\$ 13,713,054</u>	<u>\$ 9,302,693</u>	<u>\$ (4,410,361)</u>
Net Position:			
Net Investment in Capital Assets	\$ 12,883,781	\$ 12,254,768	\$ 629,013
Restricted	712,988	536,730	176,258
Unrestricted	<u>9,218,803</u>	<u>8,456,824</u>	<u>761,979</u>
Total Net Position	<u>\$ 22,815,572</u>	<u>\$ 21,248,322</u>	<u>\$ 1,567,250</u>

The following table provides a summary of the District's operations for the years ended September 30, 2023, and September 30, 2022.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2023</u>	<u>2022</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 3,120,582	\$ 3,109,455	\$ 11,127
Sales Tax Receipts	564,137	434,952	129,185
Charges for Services	3,294,523	3,114,962	179,561
Other Revenues	<u>1,500,849</u>	<u>104,809</u>	<u>1,396,040</u>
Total Revenues	<u>\$ 8,480,091</u>	<u>\$ 6,764,178</u>	<u>\$ 1,715,913</u>
Expenses for Services	<u>6,912,841</u>	<u>5,631,003</u>	<u>(1,281,838)</u>
Change in Net Position	\$ 1,567,250	\$ 1,133,175	\$ 434,075
Net Position, Beginning of Year	<u>21,248,322</u>	<u>20,115,147</u>	<u>1,133,175</u>
Net Position, End of Year	<u>\$ 22,815,572</u>	<u>\$ 21,248,322</u>	<u>\$ 1,567,250</u>

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2023 were \$19,191,455, an increase of \$5,508,682 from the prior year.

The General Fund fund balance increased by \$750,562, primarily due to service and tax revenues exceeding operating expenditures and capital improvements.

The Debt Service Fund fund balance increased by \$157,623, primarily due to the structure of the District's outstanding long-term debt and the sale of Series 2023 bonds.

The Capital Projects Fund fund balance increased by \$4,600,497, primarily due to proceeds from the sale of the Series 2023 Park bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did amend the budget during the current fiscal year to increase various estimated revenues, purchased wastewater services expenditures, capital outlay expenditures, regional water authority assessment expenditures and to decrease estimated repairs and maintenance. Actual revenues were \$119,728 more than budgeted revenues primarily due to higher than anticipated sales tax revenues and charges for services than expected. Actual expenditures were \$175,277 more than budgeted expenditures primarily due to higher than expected costs for capital outlay and purchased wastewater services.

CAPITAL ASSETS

Capital assets as of September 30, 2023, total \$16,139,824 (net of accumulated depreciation) and include land, buildings and equipment as well as water, wastewater and drainage systems, park facilities and trails.

Significant capital asset events during the current fiscal year included the following:

Completed Projects/Purchases:

- Design and construction of Greenbelt Trail Improvements
- Design of water plant no. 2 GST recoating
- Design and construction of Greenbelt Bridge and Little Villa Wetland Park Improvements

Construction in Progress:

- Design and construction of Little Villa Park screen fence
- Design of Greenbelt Trail Master Plan
- Design of Magnolia Park improvements
- Design and construction of water plant improvement project
- Design and construction of phosphate addition at water well no.1 at water plant no. 1

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2023	2022	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,167,886	\$ 1,167,886	\$
Construction in Progress	962,712	1,142,278	(179,566)
Capital Assets, Net of Accumulated Depreciation:			
Amenities	2,911,514	3,178,945	(267,431)
Water System	4,540,379	3,467,100	1,073,279
Wastewater System	2,381,323	2,483,044	(101,721)
Drainage System	1,855,447	1,917,091	(61,644)
Investment in Wastewater Treatment Plant	2,320,563	2,390,072	(69,509)
Total Net Capital Assets	\$ 16,139,824	\$ 15,746,416	\$ 393,408

Additional information on the District's capital assets can be found in Note 6.

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total of long-term debt payable of \$12,825,000. The changes in the debt position of the District during the fiscal year ended September 30, 2023, are summarized as follows:

Bond Debt Payable, October 1, 2022	\$ 8,445,000
Add: Bond Sale - Series 2023	5,210,000
Less: Bond Principal Paid	830,000
Bond Debt Payable, September 30, 2023	\$ 12,825,000

The Series 2011, 2018, 2022 and 2023 bonds carry an underlying rating of "A2." The Series 2022 and 2023 bonds carry and insured rating of "AA" by virtue of bond insurance issued by Build American Mutual Assurance Company.

CONTACTING THE DISTRICT'S 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 Mission Bend Municipal Utility District No. 2, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2023

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 561,998	\$ 222,256
Investments	6,651,811	420,276
Receivables:		
Property Taxes	94,346	99,842
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$5,000)	455,611	
Due from Other Funds	579,764	
Prepaid Costs	44,920	
Due from Other Governments	169,569	
Advance for Integrated Water Supply Operations	408,360	
Advance for Regional Wastewater Treatment Plant Operations	852,019	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 9,818,398	\$ 742,374

The accompanying notes to the 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>
\$ 766	\$ 785,020	\$	\$ 785,020
10,163,781	17,235,868		17,235,868
	194,188		194,188
		243,247	243,247
	455,611		455,611
	579,764	(579,764)	
	44,920		44,920
	169,569		169,569
	408,360		408,360
	852,019		852,019
		1,167,886	1,167,886
		962,712	962,712
		<u>14,009,226</u>	<u>14,009,226</u>
<u>\$ 10,164,547</u>	<u>\$ 20,725,319</u>	<u>\$ 15,803,307</u>	<u>\$ 36,528,626</u>

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

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2023

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 596,985	\$
Accrued Interest Payable		
Due to Other Funds		25,518
Due to Taxpayers		160,317
Security Deposits	2,610	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	\$ 599,595	\$ 185,835
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 94,346	\$ 99,842
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 44,920	\$
Advance for Integrated Water Supply Operations	408,360	
Advance for Wastewater Treatment Plant Operations	852,019	
Restricted for Authorized Construction		
Restricted for Debt Service		456,697
Unassigned	7,819,158	
TOTAL FUND BALANCES	\$ 9,124,457	\$ 456,697
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 9,818,398	\$ 742,374
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$	\$ 596,985	\$	\$ 596,985
		86,798	86,798
554,246	579,764	(579,764)	
	160,317		160,317
	2,610		2,610
		870,000	870,000
		11,996,344	11,996,344
<u>\$ 554,246</u>	<u>\$ 1,339,676</u>	<u>\$ 12,373,378</u>	<u>\$ 13,713,054</u>
<u>\$ - 0 -</u>	<u>\$ 194,188</u>	<u>\$ (194,188)</u>	<u>\$ - 0 -</u>
\$	\$ 44,920	\$ (44,920)	\$
	408,360	(408,360)	
	852,019	(852,019)	
9,610,301	9,610,301	(9,610,301)	
	456,697	(456,697)	
	7,819,158	(7,819,158)	
<u>\$ 9,610,301</u>	<u>\$ 19,191,455</u>	<u>\$ (19,191,455)</u>	<u>\$ - 0 -</u>
<u>\$ 10,164,547</u>	<u>\$ 20,725,319</u>		
		\$ 12,883,781	\$ 12,883,781
		712,988	712,988
		9,218,803	9,218,803
		<u>\$ 22,815,572</u>	<u>\$ 22,815,572</u>

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

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Total Fund Balances - Governmental Funds \$ 19,191,455

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. 16,139,824

Deferred inflows of resources related to property tax revenues and penalty and interest receivables on delinquent taxes for the 2022 and prior tax levies became part of recognized revenues in the governmental activities of the District. 437,435

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	\$ (86,798)	
Bonds Payable Within One Year	(870,000)	
Bonds Payable After One Year	<u>(11,996,344)</u>	<u>(12,953,142)</u>

Total Net Position - Governmental Activities \$ 22,815,572

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

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MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 2,013,791	\$ 1,087,967
Sales Tax Receipts	564,137	
Water Service	747,152	
Wastewater Service	804,511	
Regional Water Authority Fees	1,593,783	
Penalty and Interest	51,184	40,829
Tap Connection and Inspection Fees	34,145	
Investment Revenues	342,444	39,281
Miscellaneous Revenues	791,766	
	<u>\$ 6,942,913</u>	<u>\$ 1,168,077</u>
TOTAL REVENUES		
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 298,125	\$ 13,983
Contracted Services	505,071	50,836
Purchased Wastewater Service	776,605	
Utilities	193,590	
Repairs and Maintenance	557,037	
Regional Water Authority Assessments	2,220,047	
Depreciation		
Parks and Recreation	328,787	
Other	225,530	13,192
Capital Outlay	1,087,559	
Debt Service:		
Bond Principal		830,000
Bond Interest		312,019
Bond Issuance Costs		
	<u>\$ 6,192,351</u>	<u>\$ 1,220,030</u>
TOTAL EXPENDITURES/EXPENSES		
EXCESS (DEFICIENCY) OF REVENUES OVER		
EXPENDITURES	<u>\$ 750,562</u>	<u>\$ (51,953)</u>
OTHER FINANCING SOURCES (USES)		
Long-Term Debt Issued	\$	\$ 209,576
Bond Discount		
	<u>\$ - 0 -</u>	<u>\$ 209,576</u>
TOTAL OTHER FINANCING SOURCES (USES)		
NET CHANGE IN FUND BALANCES	\$ 750,562	\$ 157,623
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2022	<u>8,373,895</u>	<u>299,074</u>
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2023	<u>\$ 9,124,457</u>	<u>\$ 456,697</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 3,101,758	\$ 18,824	\$ 3,120,582
	564,137		564,137
	747,152		747,152
	804,511		804,511
	1,593,783		1,593,783
	92,013	22,919	114,932
	34,145		34,145
327,358	709,083		709,083
	791,766		791,766
<u>327,358</u>	<u>8,438,348</u>	<u>41,743</u>	<u>8,480,091</u>
\$ 518	\$ 312,626	\$	\$ 312,626
	555,907		555,907
	776,605		776,605
	193,590		193,590
	557,037		557,037
	2,220,047		2,220,047
	328,787	869,513	869,513
545	239,267		239,267
175,363	1,262,922	(1,262,922)	
	830,000	(830,000)	
	312,019	13,413	325,432
<u>534,030</u>	<u>534,030</u>		<u>534,030</u>
\$ 710,456	\$ 8,122,837	\$ (1,209,996)	\$ 6,912,841
<u>(383,098)</u>	<u>315,511</u>	<u>(315,511)</u>	<u>- 0 -</u>
\$ 5,000,424	\$ 5,210,000	\$ (5,210,000)	\$
<u>(16,829)</u>	<u>(16,829)</u>	<u>16,829</u>	
\$ 4,983,595	\$ 5,193,171	\$ (5,193,171)	\$ - 0 -
\$ 4,600,497	\$ 5,508,682	\$ (5,508,682)	\$
		1,567,250	1,567,250
<u>5,009,804</u>	<u>13,682,773</u>	<u>7,565,549</u>	<u>21,248,322</u>
<u>9,610,301</u>	<u>19,191,455</u>	<u>3,624,117</u>	<u>22,815,572</u>

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

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Net Change in Fund Balances - Governmental Funds	\$	5,508,682
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
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.		18,824
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.		22,919
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.		(869,513)
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. All other capital asset purchases are expensed in the Statement of Activities.		1,262,922
Governmental funds report bond premiums as other financing sources in the year received. However, in the government-wide financial statements, bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.		16,829
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.		830,000
Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the debt through fiscal year-end.		(13,413)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the government-wide financial statements.		<u>(5,210,000)</u>
Change in Net Position - Governmental Activities	\$	<u><u>1,567,250</u></u>

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

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1. CREATION OF DISTRICT

Mission Bend Municipal Utility District No. 2, located in Harris County, Texas (“the District”), was created by an Order of the Texas Water Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”), effective December 13, 1977. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water service, wastewater service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct and maintain 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 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 December 21, 1977, and the first bonds were sold on June 16, 1982.

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.

The District has entered into a joint contract with Chelford City Municipal Utility District for wastewater disposal. Oversight responsibility of the wastewater disposal plant is by Chelford City Municipal Utility District. Additional disclosure concerning this joint contract is provided in Note 8.

The District has also entered into a joint contract with three other districts for the construction and operation of an elevated storage tank. The District exercises responsibility for operating the facility. Additional disclosure is provided in Note 10.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses of the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, 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 Fund Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers these funds to be major funds.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, 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

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

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

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

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 \$10,000 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:

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

	Years
Jogging Trails	15
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20
Investment in Wastewater Treatment Plant	40

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget 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.

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:

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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.

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.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 3. LONG-TERM DEBT

	Series 2011	Series 2018
Amount Outstanding – September 30, 2023	\$ 855,000	\$ 895,000
Interest Rates	3.625% - 3.80%	2.00%-2.25%
Maturity Dates – Beginning/Ending	September 1, 2024/2025	September 1, 2024/2025
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	September 1, 2018*	Non-Callable
	Series 2022	Series 2023
Amount Outstanding – September 30, 2023	\$ 5,865,000	\$ 5,210,000
Interest Rates	3.00%-3.25%	3.50%-5.50%
Maturity Dates – Beginning/Ending	September 1, 2024/2036	September 1, 2024/2042
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	September 1, 2028*	September 1, 2029*

* 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 following is a summary of transactions regarding bonds payable for the year ended September 30, 2023:

	October 1, 2022	Additions	Retirements	September 30, 2023
Bonds Payable	\$ 8,445,000	\$ 5,210,000	\$ 830,000	\$ 12,825,000
Unamortized Discounts	(20,283)	(16,828)	(7,228)	(29,883)
Unamortized Premiums	76,735		5,508	71,227
Bonds Payable, Net	\$ 8,501,452	\$ 5,193,172	\$ 828,280	\$ 12,866,344
		Amount Due Within One Year		\$ 870,000
		Amount Due After One Year		11,996,344
		Bonds Payable, Net		\$ 12,866,344

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 3. LONG-TERM DEBT (Continued)

As of September 30, 2023, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 870,000	\$ 487,190	\$ 1,357,190
2025	900,000	412,500	1,312,500
2026	500,000	385,332	885,332
2027	510,000	368,282	878,282
2028	525,000	350,807	875,807
2029-2033	2,900,000	1,479,565	4,379,565
2034-2038	3,370,000	988,153	4,358,153
2039-2042	3,250,000	330,181	3,580,181
	<u>\$ 12,825,000</u>	<u>\$ 4,802,010</u>	<u>\$ 17,627,010</u>

As of September 30, 2023, the District had authorized but unissued utility facility bonds in the amount of \$7,530,000 and authorized but unissued refunding bonds in the amount of \$24,390,234.

Subsequent to year end, at an election held on November 7, 2023, voters of the District approved additional issuance of utility facility bonds in the amount of \$44,000,000 and recreational facility bonds in the amount of \$18,900,000.

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

During the fiscal year ended September 30, 2023, the District levied an ad valorem debt service tax at the rate of \$0.1945 per \$100 of assessed valuation, which resulted in a tax levy of \$1,111,344 on the adjusted taxable valuation of \$571,384,825 for the 2022 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. See Note 7 for maintenance tax levy.

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

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 4. SIGNIFICANT BOND RESOLUTIONS AND LEGAL REQUIREMENTS

- A. The bond resolutions state that any profits realized from or interest accruing on investments shall belong to the fund from which the moneys for such investments were taken; provided, however, that at the discretion of the Board of Directors the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund. During the current fiscal year, all profits and interest earned on investments remained with the fund from which the monies for such investments were taken.
- B. The District 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 5th year anniversary of each issue.
- C. The 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 the Municipal Securities Rule Making Board through its Electronic Municipal Market Access system (“EMMA”) 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 and shall continue to be provided through the life of the bonds.
- D. In accordance with the Series 2023 Bond resolution, capitalized interest of \$209,576 was deposited into the Debt Service Fund and restricted for the payment of bond interest.

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 \$785,020 and the bank balance was \$1,029,078. The District was not exposed to custodial credit risk at year-end.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2023, as listed below:

	Cash
GENERAL FUND	\$ 561,998
DEBT SERVICE FUND	222,256
CAPITAL PROJECTS FUND	766
TOTAL DEPOSITS	\$ 785,020

Investments

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

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

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, 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.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

As of September 30, 2023, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years		
		Less Than 1	1-5	6-10
<u>GENERAL FUND</u>				
TexPool	\$ 6,288,410	\$ 6,288,410	\$	\$
Texas CLASS	363,401	363,401		
<u>DEBT SERVICE FUND</u>				
TexPool	420,276	420,276		
<u>CAPITAL PROJECTS FUND</u>				
TexPool	10,163,781	10,163,781		
TOTAL INVESTMENTS	\$ 17,235,868	\$ 17,235,868	\$ - 0 -	\$ - 0 -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2023, the District’s investments in TexPool and Texas CLASS were rated “AAAm” by Standard & Poor’s.

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

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 capital assets.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023:

	October 1, 2022	Increases	Decreases	September 30, 2023
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,167,886	\$	\$	\$ 1,167,886
Construction in Progress	<u>1,142,278</u>	<u>1,262,922</u>	<u>1,442,488</u>	<u>962,712</u>
Total Capital Assets Not Being Depreciated	<u>\$ 2,310,164</u>	<u>\$ 1,262,922</u>	<u>\$ 1,442,488</u>	<u>\$ 2,130,598</u>
Capital Assets Subject to Depreciation				
Amenities	\$ 6,413,731	\$ 125,245	\$	\$ 6,538,976
Water System	10,617,373	1,283,577		11,900,950
Wastewater System	5,737,101	33,665		5,770,766
Drainage System	2,685,028			2,685,028
Investment in Wastewater Treatment Plant	<u>6,924,592</u>			<u>6,924,592</u>
Total Capital Assets Cost Subject to Depreciation	<u>\$ 32,377,825</u>	<u>\$ 1,442,487</u>	<u>\$ - 0 -</u>	<u>\$ 33,820,312</u>
Accumulated Depreciation				
Amenities	\$ 3,234,786	\$ 392,676	\$	\$ 3,627,462
Water System	7,150,273	210,298		7,360,571
Wastewater System	3,254,057	135,386		3,389,443
Drainage System	767,937	61,644		829,581
Investment in Wastewater Treatment Plant	<u>4,534,520</u>	<u>69,509</u>		<u>4,604,029</u>
Total Accumulated Depreciation	<u>\$ 18,941,573</u>	<u>\$ 869,513</u>	<u>\$ - 0 -</u>	<u>\$ 19,811,086</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 13,436,252</u>	<u>\$ 572,974</u>	<u>\$ - 0 -</u>	<u>\$ 14,009,226</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 15,746,416</u>	<u>\$ 1,835,896</u>	<u>\$ 1,442,488</u>	<u>\$ 16,139,824</u>

The District has financed certain drainage facilities which have been conveyed to other entities for maintenance.

NOTE 7. MAINTENANCE TAX

On November 7, 2006, voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. During the current fiscal year, the District levied an ad valorem maintenance tax at the rate of \$0.3618 per \$100 of assessed valuation, which resulted in a tax levy of \$2,067,270 on the adjusted taxable valuation of \$571,384,825 for the 2022 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks, wastewater and storm sewer systems and parks and recreational facilities.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 8. JOINT WASTEWATER TREATMENT CONTRACT

On May 23, 1978, the District executed a contract with Chelford City Municipal Utility District (“Chelford City”) for the provision of wastewater treatment services to receive, transport, treat and dispose of all waste collected by the District. Chelford City is responsible for constructing, operating and maintaining the wastewater treatment plant. The District purchased 800,000 gallons per day (“gpd”) capacity with its Series 1983 bond proceeds. With its 1985 bond proceeds the District purchased an additional 2,687,360 gpd capacity, resulting in a total of 3,512,360 gpd capacity in the Chelford City Regional Wastewater Treatment Plant (the “Plant”). The Plant was down-rated in 2008 from 15,500,000 gpd capacity to 11,000,000 gpd capacity. As a result, the District’s share of capacity decreased to 2,492,643 gpd. Per the purchase and sale agreement for wastewater treatment plant capacity dated November 14, 2022, the District sold excess capacity to Chelford City, decreasing the District’s capacity to 2,441,600 gpd.

The contract states that Chelford City shall remain owner of all the facilities involved and the District will maintain a reserve of capacity in the Plant. The District will pay an operating charge of \$1.50 per 1,000 gallons of treatment capacity in the waste disposal system reserved to the District plus the District’s pro-rata share of operating costs based upon the number of equivalent connections to the system.

On September 11, 2006, the District amended the contract to clarify the pro rata share of each participant and extend the term of the contract. The term of this contract is for a period of 40 years and shall automatically be extended for successive 40-year periods until all of the participants have been annexed and dissolved by the City of Houston, Texas.

During the current fiscal year, the monthly per-connection charge was \$12.85. It is currently budgeted that the monthly connection charge will be \$12.85 for the fiscal year ended September 30, 2023. As of September 30, 2023, each participant’s share has been adjusted to actual costs. Any excess of revenues or expenditures has been allocated to each participant based upon their prorata share of total annual billings and added to or deducted from each participant’s fund balance. In addition, each participant is required to maintain its pro-rata share of an operation and maintenance reserve equivalent to three months of average, budgeted operation and maintenance costs. If in a situation whereby Chelford City is required to sell bonds to the benefit of the District, Chelford City has reserved the right to levy a capacity charge to the District for its prorata portion of the principal of and interest on said bonds.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 8. JOINT WASTEWATER TREATMENT CONTRACT (Continued)

The participating entities and their respective prorata share of capacity in the Plant are:

Participants	Gallons Per Day Capacity	Percentage
Chelford City Municipal Utility District	966,600	8.79
Chelford One Municipal Utility District	533,500	4.85
Mission Bend Municipal Utility District No. 1	1,041,700	9.47
Mission Bend Municipal Utility District No. 2	2,441,600	22.20
City of Houston (Formerly Harris County Municipal Utility District No. 98)	1,086,800	9.88
Harris County Municipal Utility District No. 120	2,959,700	26.90
Harris County Municipal Utility District No. 147	489,500	4.45
Alief Church of the Nazarene (Formerly United Savings of Texas)	7,700	0.07
City of Houston (Formerly West Houston Municipal Utility District)	<u>1,472,900</u>	<u>13.39</u>
TOTAL	<u>11,000,000</u>	<u>100.00</u>

Separate audited financial reports are issued on the Plant. Reports can be obtained by contacting the District's auditor or the District's attorney.

The following summary financial information of the Plant is presented for the fiscal year ended September 30, 2023:

	Joint Venture
Total Assets	\$ 4,523,966
Total Liabilities	<u>644,971</u>
Total Net Assets	<u><u>\$ 3,878,995</u></u>
Total Operating Revenues	\$ 3,451,986
Total Operating Expenses	<u>3,756,474</u>
Net Change in Fund Balance	\$ (304,488)
Fund Balance - October 1, 2022	<u>4,183,483</u>
Fund Balance - September 30, 2023	<u><u>\$ 3,878,995</u></u>

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 8. JOINT WASTEWATER TREATMENT CONTRACT (Continued)

During the current fiscal year, the District's advance for operations and maintenance to the Plant was \$852,019. The District recorded expenditures of \$776,605 for its share of the operating costs of the Plant.

NOTE 9. MISSION BEND INTEGRATED WATER SYSTEM

On May 14, 1981, the District, Chelford One Municipal Utility District, Mission Bend Municipal Utility District No. 1 and Chelford City Municipal Utility District executed a Water Supply and Billing Agreement (the "Agreement") to coordinate the operation of the water plants and all water interconnects between the districts, allowing the districts to supply water to their respective customers from any water plant in the shared system. On May 14, 1986, the Agreement was renewed for a term of 40 years. On July 1, 2001 a Second Supplement to the Water Supply and Billing Agreement was executed. The districts agreed to share the production of their water plants and pay all costs of operating their respective plants except for electricity and chlorine. The electricity and chlorine costs are prorated to each district based on water billed in each district.

On June 1, 2012, the Amended and Restated Water Supply and Billing Agreement was executed to coordinate the operations of the water plants and the billing and collection for the payment of electricity bills, telephone bills, chemical bills and West Harris County Regional Water Authority fees. Effective April 1, 2018, the districts executed the Second Amended and Restated Water Supply and Billing Agreement. The districts send their bills to Chelford City Municipal Utility District for payment from a separate account set up for the Mission Bend Integrated Water System. Chelford City Municipal Utility District then bills each district for its prorated share of the costs based on water billed by each district per month. Each district has paid into an operating reserve equal to two months of electricity, telephone, and chemical bills and two months of water authority fees. The term of the Agreement is 40 years. As of September 30, 2023, the District's share of the operating reserve is \$408,360.

NOTE 10. AGREEMENT FOR CONSTRUCTION, FINANCING AND OPERATION OF AN ELEVATED WATER STORAGE FACILITY

On May 30, 1986, the District executed an agreement with Chelford One Municipal Utility District, Mission Bend Municipal Utility District No. 1, and Chelford City Municipal Utility District to construct, finance and operate a 2,000,000-gallon elevated storage facility. The District holds all legal right, title and interest to the facilities. On November 15, 2016, the districts approved the First Amendment to this agreement clarifying operation and maintenance cost calculations. The term of the agreement is 40 years, unless terminated by mutual agreement of all parties.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 10. AGREEMENT FOR CONSTRUCTION, FINANCING AND OPERATION OF AN ELEVATED WATER STORAGE FACILITY (Continued)

Construction and engineering costs were allocated among the districts on a pro-rata basis according to the percentage an individual district’s estimated number of ultimate equivalent single-family residential connections bears to the total estimated number of ultimate equivalent single-family residential connections in all of the districts.

The District operates, maintains and insures the facility on behalf of the districts and pays all costs of operating, maintaining, repairing, reconstructing, replacing and insuring the facility. The districts share these costs according to their equitable prorata shares of capacity in the facility. The District invoices each district for its prorata share of the costs of operation and maintenance on an annual basis. Separate financial statements are not issued with regards to this agreement.

Each district has equitable ownership rights in the facility as follows:

Participant	Percentage
Mission Bend Municipal Utility District No. 2	50.08
Mission Bend Municipal Utility District No. 1	22.16
Chelford City Municipal Utility District	15.14
Chelford One Municipal Utility District	<u>12.62</u>
TOTAL	<u>100.00</u>

NOTE 11. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the West Harris County Regional Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the “Act”), as passed by the 77th Texas Legislature, in 2001. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Authority is overseeing that its participants comply with subsidence district pumpage requirements. The District may be required to convert its water supply to surface water over a period of time at the direction of the Authority.

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current fee is \$3.95 per 1,000 gallons of water pumped from each well. The District recorded an expenditure of \$2,220,047 for fees assessed during the current fiscal year.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT

Effective April 8, 2003, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provided that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City would annex a tract of land defined as the “Tract” for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Tract within the boundaries of the District. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District.

Taxable property within the District is not liable for any present or future debts of the City, and current and future taxes levied by the City shall not be levied on taxable property within the District. The District’s assets, liabilities, indebtedness, and obligations remain the responsibility of the District during the period preceding full-purpose annexation.

The qualified voters of the Tract may vote in City elections in certain circumstances provided for in the applicable provisions of the Texas Local Government Code.

The City imposes a Sales and Use Tax within the boundaries of the Tract upon the limited-purpose annexation of the Tract. The Sales and Use Tax is imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City agreed to pay to the District an amount equal to one-half of all Sales and Use Tax receipts generated within the boundaries of the Tract. The City agreed to deliver to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Controller’s office. During the fiscal year ended September 30, 2023, the District recorded sales tax receipts of \$564,137 from the City of Houston, of which \$132,334 was receivable at year-end.

In consideration for the sales tax receipts and the City’s limited-purpose annexation of the Tract in the District, the District agreed to make a payment of \$100 per year on the anniversary of the Implementation Date of this agreement. The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the Agreement.

NOTE 13. INTERFUND BALANCES

The Debt Service Fund (Tax Account) owes the General Fund \$14,018 for maintenance tax collections. The Debt Service Fund owes the General Fund \$11,500 for arbitrage compliance expenses. The Capital Projects Fund owes the General Fund \$554,246 for engineering and construction costs related to the water plant improvement project.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 14. RISK MANAGEMENT

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

NOTE 15. STREET LIGHT BILLING AGREEMENT

On June 1, 2012, the District, Chelford One Municipal Utility District, Mission Bend Municipal Utility District No. 1 and Chelford City Municipal Utility District executed a Street Light Billing Agreement (the "Agreement") to keep the street lights within the boundaries of the districts along Bellaire Boulevard operational. The electricity bills are sent directly to Chelford City Municipal Utility District for payment. The bookkeeper pays the electricity costs out of the integrated water system account and bills the districts monthly for their prorata shares of the costs based on the number of street lights in each district. Each district has paid into an operating reserve an amount equal to the estimated amount of two months of electricity bills for the street lights. The District's share of the operating reserve is included in the amount in Note 9.

NOTE 16. BOND SALE

On June 1, 2023, the District closed on the sale of Unlimited Tax Park Bonds, Series 2023 in the amount of \$5,210,000. Proceeds from the bond sale will be used to fund park and recreational improvements at Little Villa Wetland Park. Additional proceeds were used to cover issuance costs of the bonds.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2023

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 2,034,666	\$ 2,020,000	\$ 2,013,791	\$ (6,209)
Sales Tax Receipts	450,000	525,306	564,137	38,831
Water Service	693,698	706,838	747,152	40,314
Wastewater Service	782,043	795,326	804,511	9,185
Regional Water Authority Fees	1,708,399	1,551,185	1,593,783	42,598
Penalty and Interest	42,781	52,185	51,184	(1,001)
Tap Connection and Inspection Fees	39,393	34,795	34,145	(650)
Investment Revenues	80,000	345,000	342,444	(2,556)
Miscellaneous Revenues	23,925	792,550	791,766	(784)
TOTAL REVENUES	\$ 5,854,905	\$ 6,823,185	\$ 6,942,913	\$ 119,728
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 294,500	\$ 319,500	\$ 298,125	\$ 21,375
Contracted Services	477,700	529,231	505,071	24,160
Purchased Wastewater Service	675,893	714,557	776,605	(62,048)
Utilities	179,868	208,641	193,590	15,051
Repairs and Maintenance	905,033	601,294	557,037	44,257
Regional Water Authority				
Assessments	1,728,773	2,244,577	2,220,047	24,530
Parks and Recreation	240,000	335,000	328,787	6,213
Other	248,840	208,936	225,530	(16,594)
Capital Outlay	378,110	1,205,892	1,087,559	118,333
TOTAL EXPENDITURES	\$ 5,128,717	\$ 6,367,628	\$ 6,192,351	\$ 175,277
NET CHANGE IN FUND BALANCE	\$ 726,188	\$ 455,557	\$ 750,562	\$ 295,005
FUND BALANCE - OCTOBER 1, 2022	8,373,895	8,373,895	8,373,895	
FUND BALANCE - SEPTEMBER 30, 2023	\$ 9,100,083	\$ 8,829,452	\$ 9,124,457	\$ 295,005

See accompanying independent auditor's report.

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MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

SEPTEMBER 30, 2023

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
SERVICE AND RATES
SEPTEMBER 30, 2023

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved September 19, 2023.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>				
WATER:	\$ 5.00	10,000	N	\$ 1.00 \$ 1.75 \$ 2.50 \$ 3.50 \$ 5.00	10,001 – 15,000 15,001 – 25,000 25,001 – 35,000 35,001 – 60,000 60,001 and up				
WASTEWATER:	\$ 10.00		Y						
SURCHARGE:									
Regional Water Authority Fees			N	\$ 4.35	For each 1,000 gallons				
District employs winter averaging for wastewater usage?					<table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;"><u> X </u></td> </tr> <tr> <td style="text-align: center;">Yes</td> <td style="text-align: center;">No</td> </tr> </table>	_____	<u> X </u>	Yes	No
_____	<u> X </u>								
Yes	No								

Total monthly charges per 10,000 gallons usage: Water: \$5.00 Wastewater: \$10.00 Surcharge: \$43.50 Total: \$58.50

* Pumpage fee plus 10%

See accompanying independent auditor’s report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
SERVICE AND RATES
SEPTEMBER 30, 2023

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	1,064	1,046	x 1.0	1,046
1"	66	64	x 2.5	160
1½"	25	23	x 5.0	115
2"	93	87	x 8.0	696
3"	5	5	x 15.0	75
4"	11	11	x 25.0	275
6"	1	1	x 50.0	50
8"	1	1	x 80.0	80
10"	1	1	x 115.0	115
Total Water Connections	<u>1,267</u>	<u>1,239</u>		<u>2,612</u>
Total Wastewater Connections	<u>1,209</u>	<u>1,191</u>	x 1.0	<u>1,191</u>

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

Gallons pumped into system: 421,835,400** Water Accountability Ratio: 100%
(Gallons billed and sold/Gallons pumped and purchased)

Gallons billed to customers: 421,835,400

** The District is part of the Mission Bend Integrated Water System. The purchased and sold amounts are not noted by individual districts. All four districts in this system buy and sell water to the other districts in the regional system monthly.

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
SERVICE AND RATES
SEPTEMBER 30, 2023

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ's in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

PROFESSIONAL FEES:	
Architect	\$ 40,947
Auditing	22,500
Engineering	77,611
Legal	155,307
Financial Advisor	<u>1,760</u>
TOTAL PROFESSIONAL FEES	<u>\$ 298,125</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Wastewater Service	<u>\$ 776,605</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 68,502
Operations and Billing	150,927
Security	<u>285,642</u>
TOTAL CONTRACTED SERVICES	<u>\$ 505,071</u>
UTILITIES:	
Electricity	\$ 188,505
Telephone	<u>5,085</u>
TOTAL UTILITIES	<u>\$ 193,590</u>
REPAIRS AND MAINTENANCE	<u>\$ 557,037</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 36,000
Dues	4,360
Insurance	31,212
Payroll Taxes	5,155
Travel and Meetings	6,109
Other	<u>57,300</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 140,136</u>

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

CAPITAL OUTLAY	<u>\$ 1,087,559</u>
PARKS AND RECREATION	<u>\$ 328,787</u>
OTHER EXPENDITURES:	
Chemicals	\$ 9,930
Laboratory Fees	14,415
Permit Fees	9,366
Inspection Fees	44,219
Regional Water Authority Assessments	2,220,047
Regulatory Assessment	<u>7,464</u>
TOTAL OTHER EXPENDITURES	<u>\$ 2,305,441</u>
TOTAL EXPENDITURES	<u>\$ 6,192,351</u>

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
INVESTMENTS
SEPTEMBER 30, 2023

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 6,288,410	\$
Texas CLASS	XXXX0001	Varies	Daily	<u>363,401</u>	<u> </u>
TOTAL GENERAL FUND				<u>\$ 6,651,811</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0005	Varies	Daily	<u>\$ 420,276</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0002	Varies	Daily	<u>\$ 10,163,781</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u><u>\$ 17,235,868</u></u>	<u><u>\$ - 0 -</u></u>

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2022	\$	82,929	\$	92,435
Adjustments to Beginning				
Balance		<u>(42,062)</u>	\$	<u>76,465</u>
Original 2022 Tax Levy	\$	2,024,734	\$	1,088,476
Adjustment to 2022 Tax Levy		<u>42,536</u>	<u>2,067,270</u>	<u>1,111,344</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	2,108,137	\$
				1,187,809
TAX COLLECTIONS:				
Prior Years	\$	(30,415)	\$	(10,977)
Current Year		<u>2,044,206</u>	<u>2,013,791</u>	<u>1,087,967</u>
TAXES RECEIVABLE -				
SEPTEMBER 30, 2023		<u>\$</u>	<u>94,346</u>	<u>\$</u>
				<u>99,842</u>
TAXES RECEIVABLE BY				
YEAR:				
2022	\$	23,064	\$	12,400
2021		13,417		4,821
2020		8,787		4,807
2019		6,085		3,704
2018		5,318		3,386
2017		4,413		2,603
2016		2,137		1,895
2015		2,283		1,959
2014		2,428		2,434
2013		2,108		2,542
2012		2,297		2,876
2011		2,920		3,187
2010		4,021		4,354
2009		3,183		1,651
2008		3,816		1,955
2007 and prior		<u>8,069</u>		<u>45,268</u>
TOTAL	\$	<u><u>94,346</u></u>	\$	<u><u>99,842</u></u>

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
PROPERTY VALUATIONS:				
Land	\$ 185,893,164	\$ 166,802,957	\$ 162,844,847	\$ 160,413,327
Improvements	535,157,111	461,594,937	432,003,145	381,602,219
Personal Property	34,228,436	30,098,351	29,922,750	30,675,792
Exemptions	<u>(183,893,886)</u>	<u>(126,025,105)</u>	<u>(120,550,686)</u>	<u>(121,872,165)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 571,384,825</u>	<u>\$ 532,471,140</u>	<u>\$ 504,220,056</u>	<u>\$ 450,819,173</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.1945	\$ 0.1590	\$ 0.2210	\$ 0.2365
Maintenance**	<u>0.3618</u>	<u>0.4425</u>	<u>0.4040</u>	<u>0.3885</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.5563</u>	<u>\$ 0.6015</u>	<u>\$ 0.6250</u>	<u>\$ 0.6250</u>
ADJUSTED TAX LEVY*	<u>\$ 3,178,614</u>	<u>\$ 3,202,814</u>	<u>\$ 3,151,376</u>	<u>\$ 2,817,621</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.88 %</u>	<u>99.43 %</u>	<u>99.57 %</u>	<u>99.65 %</u>

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

** Maintenance Tax –At an election held on November 7, 2006, voters of the District authorized a maintenance tax rate of \$1.50 per \$100 of assessed valuation.

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023

S E R I E S - 2 0 1 1				
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total	
2024	\$ 420,000	\$ 31,755	\$	451,755
2025	435,000	16,530		451,530
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
	\$ 855,000	\$ 48,285	\$	903,285

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023

S E R I E S - 2 0 1 8				
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total	
2024	\$ 440,000	\$ 19,038	\$	459,038
2025	455,000	10,238		465,238
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
	\$ 895,000	\$ 29,276	\$	924,276

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023

S E R I E S - 2 0 2 2				
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total	
2024	\$ 5,000	\$ 185,069	\$	190,069
2025	5,000	184,919		189,919
2026	460,000	184,769		644,769
2027	470,000	169,819		639,819
2028	485,000	154,544		639,544
2029	500,000	138,781		638,781
2030	515,000	122,531		637,531
2031	530,000	106,438		636,438
2032	545,000	89,875		634,875
2033	560,000	73,525		633,525
2034	580,000	56,725		636,725
2035	595,000	39,325		634,325
2036	615,000	19,988		634,988
2037				
2038				
2039				
2040				
2041				
2042				
	\$ 5,865,000	\$ 1,526,308	\$	7,391,308

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023

S E R I E S - 2 0 2 3				
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total	
2024	\$ 5,000	\$ 251,328	\$	256,328
2025	5,000	200,813		205,813
2026	40,000	200,563		240,563
2027	40,000	198,463		238,463
2028	40,000	196,263		236,263
2029	45,000	194,063		239,063
2030	50,000	191,588		241,588
2031	50,000	189,588		239,588
2032	50,000	187,588		237,588
2033	55,000	185,588		240,588
2034	55,000	183,388		238,388
2035	60,000	181,188		241,188
2036	65,000	178,788		243,788
2037	675,000	176,188		851,188
2038	725,000	152,563		877,563
2039	750,000	127,188		877,188
2040	800,000	100,000		900,000
2041	825,000	68,000		893,000
2042	875,000	34,993		909,993
	\$ 5,210,000	\$ 3,198,141	\$	8,408,141

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 870,000	\$ 487,190	\$ 1,357,190
2025	900,000	412,500	1,312,500
2026	500,000	385,332	885,332
2027	510,000	368,282	878,282
2028	525,000	350,807	875,807
2029	545,000	332,844	877,844
2030	565,000	314,119	879,119
2031	580,000	296,026	876,026
2032	595,000	277,463	872,463
2033	615,000	259,113	874,113
2034	635,000	240,113	875,113
2035	655,000	220,513	875,513
2036	680,000	198,776	878,776
2037	675,000	176,188	851,188
2038	725,000	152,563	877,563
2039	750,000	127,188	877,188
2040	800,000	100,000	900,000
2041	825,000	68,000	893,000
2042	875,000	34,993	909,993
	<u>\$ 12,825,000</u>	<u>\$ 4,802,010</u>	<u>\$ 17,627,010</u>

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Description	Original Bonds Issued	Bonds Outstanding October 1, 2022
Mission Bend Municipal Utility District No. 2 Unlimited Tax Bonds - Series 2011	\$ 1,740,000	\$ 1,255,000
Mission Bend Municipal Utility District No. 2 Unlimited Tax Bonds - Series 2018	2,140,000	1,320,000
Mission Bend Municipal Utility District No. 2 Unlimited Tax Bonds - Series 2022	5,870,000	5,870,000
Mission Bend Municipal Utility District No. 2 Unlimited Tax Park Bonds - Series 2023	<u>5,210,000</u>	<u> </u>
	<u>\$ 14,960,000</u>	<u>\$ 8,445,000</u>

Bond Authority:	Tax Bonds	Recreational Facility Tax Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 45,620,000	\$ 8,000,000	\$ 30,000,000
Amount Issued	<u>38,090,000</u>	<u>8,000,000</u>	<u>5,609,766</u>
Remaining to be Issued	<u>\$ 7,530,000</u>	<u>\$ - 0 -</u>	<u>\$ 24,390,234</u>

Debt Service Fund cash and investment balances as of September 30, 2023: \$ 642,532

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 927,737

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

See accompanying independent auditor's report.

Current Year Transactions

<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2023</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 400,000	\$ 45,756	\$ 855,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	425,000	27,537	\$ 895,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	5,000	238,726	5,865,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>5,210,000</u>			<u>5,210,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ 5,210,000</u>	<u>\$ 830,000</u>	<u>\$ 312,019</u>	<u>\$ 12,825,000</u>	

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 2,013,791	\$ 2,279,773	\$ 2,021,881
Sales Tax Receipts	564,137	434,952	420,133
Water Service	747,152	696,301	749,353
Wastewater Service	804,511	748,236	794,659
Regional Water Authority Fees	1,593,783	1,482,729	1,442,625
Penalty and Interest	51,184	44,992	22,382
Tap Connection and Inspection Fees	34,145	99,611	107,520
Investment Revenues	342,444	43,933	8,091
Miscellaneous Revenues	791,766	22,048	21,762
TOTAL REVENUES	\$ 6,942,913	\$ 5,852,575	\$ 5,588,406
EXPENDITURES			
Professional Fees	\$ 298,125	\$ 240,657	\$ 290,934
Contracted Services	505,071	467,821	388,432
Purchased Wastewater Service	776,605	681,289	718,083
Utilities	193,590	193,674	161,083
Repairs and Maintenance	557,037	586,756	330,344
Regional Water Authority Assessments	2,220,047	1,656,330	1,563,519
Parks and Recreation	328,787	239,001	226,210
Other	225,530	213,473	215,744
Developer Interest			
Capital Outlay	1,087,559	716,517	685,726
Bond Issuance Costs		33,625	
TOTAL EXPENDITURES	\$ 6,192,351	\$ 5,029,143	\$ 4,580,075
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 750,562	\$ 823,432	\$ 1,008,331
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ - 0 -	\$ 13,000	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 750,562	\$ 836,432	\$ 1,008,331
BEGINNING FUND BALANCE	8,373,895	7,537,463	6,529,132
ENDING FUND BALANCE	\$ 9,124,457	\$ 8,373,895	\$ 7,537,463

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
\$ 1,725,669	\$ 1,593,172	29.0 %	38.9 %	36.3 %	34.3 %	33.6 %
365,130	376,340	8.1	7.4	7.5	7.2	7.9
719,583	659,392	10.8	11.9	13.4	14.3	13.9
703,263	542,644	11.6	12.8	14.2	13.9	11.4
1,293,972	1,189,568	23.0	25.3	25.8	25.6	25.1
27,511	32,503	0.7	0.8	0.4	0.5	0.7
118,590	226,023	0.5	1.7	1.9	2.3	4.8
73,712	101,034	4.9	0.8	0.1	1.5	2.1
20,645	22,391	11.4	0.4	0.4	0.4	0.5
<u>\$ 5,048,075</u>	<u>\$ 4,743,067</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 300,926	\$ 228,202	4.3 %	4.1 %	5.2 %	6.0 %	4.8 %
349,019	326,282	7.3	8.0	7.0	6.9	6.9
883,405	548,594	11.2	11.6	12.8	17.5	11.6
163,996	168,198	2.8	3.3	2.9	3.2	3.5
506,272	418,750	8.0	10.0	5.9	10.0	8.8
1,394,818	1,135,159	32.0	28.3	28.0	27.6	23.9
188,822	228,557	4.7	4.1	4.0	3.7	4.8
228,176	236,727	3.2	3.6	3.9	4.5	5.0
44,484					0.9	
1,618,770	520,841	15.7	12.2	12.3	32.1	11.0
			0.6			
<u>\$ 5,678,688</u>	<u>\$ 3,811,310</u>	<u>89.2 %</u>	<u>85.8 %</u>	<u>82.0 %</u>	<u>112.4 %</u>	<u>80.3 %</u>
\$ (630,613)	\$ 931,757	<u>10.8 %</u>	<u>14.2 %</u>	<u>18.0 %</u>	<u>(12.4) %</u>	<u>19.7 %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ (630,613)	\$ 931,757					
<u>7,159,745</u>	<u>6,227,988</u>					
<u>\$ 6,529,132</u>	<u>\$ 7,159,745</u>					

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – FIVE YEARS

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 1,087,967	\$ 812,349	\$ 1,106,190
Penalty and Interest	40,829	36,483	26,269
Investment Revenues	39,281	5,456	1,144
TOTAL REVENUES	\$ 1,168,077	\$ 854,288	\$ 1,133,603
EXPENDITURES			
Tax Collection Expenditures	\$ 75,761	\$ 69,316	\$ 63,988
Debt Service Principal	830,000	795,000	860,000
Debt Service Interest and Fees	314,269	102,833	121,108
TOTAL EXPENDITURES	\$ 1,220,030	\$ 967,149	\$ 1,045,096
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (51,953)	\$ (112,861)	\$ 88,507
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$ 209,576	\$ 176,100	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 157,623	\$ 63,239	\$ 88,507
BEGINNING FUND BALANCE	299,074	235,835	147,328
ENDING FUND BALANCE	\$ 456,697	\$ 299,074	\$ 235,835
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,239	1,239	1,234
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,191	1,194	1,193

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
\$ 1,050,402	\$ 1,014,873	93.1 %	95.1 %	97.6 %	97.3 %	96.8 %
23,331	18,502	3.5	4.3	2.3	2.2	1.8
5,348	15,155	3.4	0.6	0.1	0.5	1.4
<u>\$ 1,079,081</u>	<u>\$ 1,048,530</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 59,035	\$ 52,047	6.5 %	8.1 %	5.6 %	5.5 %	5.0 %
950,000	915,000	71.1	93.1	75.9	88.0	87.3
154,568	182,348	26.9	12.0	10.7	14.3	17.4
<u>\$ 1,163,603</u>	<u>\$ 1,149,395</u>	<u>104.5 %</u>	<u>113.2 %</u>	<u>92.2 %</u>	<u>107.8 %</u>	<u>109.7 %</u>
<u>\$ (84,522)</u>	<u>\$ (100,865)</u>	<u>(4.5) %</u>	<u>(13.2) %</u>	<u>7.8 %</u>	<u>(7.8) %</u>	<u>(9.7) %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ (84,522)	\$ (100,865)					
231,850	332,715					
<u>\$ 147,328</u>	<u>\$ 231,850</u>					
1,206	1,145					
<u>1,161</u>	<u>1,101</u>					

See accompanying independent auditor's report.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2023**

District Mailing Address - Mission Bend 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

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>September 30, 2023</u>	Expense Reimbursements for the year ended <u>September 30, 2023</u>	<u>Title</u>
Judy Villagomez	05/20 05/24 (Elected)	\$ 7,200	\$ 1,167	President
Mary Bertrand	05/20 05/24 (Elected)	\$ 7,200	\$ 701	Vice President
Susan Land Johnson	05/22 05/26 (Elected)	\$ 7,200	\$ 249	Assistant Vice President
Marlene Weppler	05/20 05/24 (Elected)	\$ 7,200	\$ 1,079	Secretary
Leroy Eaglin	05/22 05/26 (Elected)	\$ 7,200	\$ 2,929	Assistant Secretary

Notes: 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 developers or with any of the District's consultants.

Submission date of most recent District Registration Form: August 16, 2022.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on June 25, 2001. Fees of Office are the amounts paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2023

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2023</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	07/28/03	\$ 168,586 \$ 149,942	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	07/15/87	\$ 22,500 \$ 2,000	Auditor Bond Related
VLB Bookkeeping Services	9/27/04	\$ 68,999	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/25/96	\$ 13,983	Delinquent Tax Attorney
Langford Engineering, Inc.	09/15/20	\$ 56,617	Prior Engineer
AEI Engineering, a Baxter & Woodman Company	08/16/22	\$ 342,228	Engineer
Public Finance Group LLC	03/18/14	\$ 114,897	Financial Advisor
Vicki Busboom	09/27/04	\$ -0-	Investment Officer
Si Environmental, LLC	08/13/13	\$ 691,587	Operator
Bob Leared Interests	02/22/78	\$ 36,280	Tax Assessor/ Collector

See accompanying independent auditor's report.

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MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2

OTHER SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2023

MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
ASSESSED VALUE BY CLASSIFICATION
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(UNAUDITED)

Type of Property	2022 Tax Roll Year	
	Amount	Percentage
Single Family	\$ 222,466,141	38.9 %
Multi-Family	115,041,498	20.1
Commercial	200,845,945	35.2
Personal	6,678,293	1.2
Acreage	26,352,984	4.6
Other Exempt	-	
Total	<u>\$ 571,384,861</u>	<u>100.0 %</u>

See accompanying independent auditor's report.

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MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2
PRINCIPAL TAXPAYERS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(UNAUDITED)

Taxpayers	2022
1. Rama Elite LLC Et Al	\$ 48,790,000
2. KKL Apartments LLC	28,800,000
3. Plaza on Westheimer	28,601,129
4. West Houston Apartments LLC	26,243,422
5. LF2 Predisio LP	19,014,123
6. JMC Properties LP	14,491,406
7. TRC Matthew Ridge LTD	14,387,587
8. Everspring Estates LLC	13,805,614
9. SBC Communications	9,287,088
10. Yassir Enterprises LLC	<u>9,060,756</u>
Total Ten Principal Taxpayers	<u>\$ 212,481,125</u>

See accompanying independent auditor's report.

