FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 2

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

February 28, 2026

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McGRATH & CO., PLLC
Certified Public Accountants
2950 North Loop West, Suite 810
Houston, Texas 77092

Independent Auditor's Report

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Fulshear Municipal Utility District No. 2 (the "District"), as of and for the year ended February 28, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fulshear Municipal Utility District No. 2, as of February 28, 2026, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

McGrath & Co, PLLC

Houston, Texas
June 25, 2026

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Management's Discussion and Analysis

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Using this Annual Report

This section of the financial report of Fulshear Municipal Utility District No. 2 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended February 28, 2026. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at February 28, 2026, was negative $16,867,440. The District's net position is negative because the District incurs debt to construct water, sewer, and drainage facilities and road improvements which it conveys to the City of Fulshear. A comparative summary of the District's overall financial position, as of February 28, 2026 and 2025, is as follows:

	2026	2025
Current and other assets	$ 5,454,896	$ 4,712,817
Capital assets	4,890,841	4,945,145
Total assets	10,345,737	9,657,962
Current liabilities	926,339	562,308
Long-term liabilities	26,286,838	26,701,838
Total liabilities	27,213,177	27,264,146
Net position		
Net investment in capital assets	(2,672,731)	(2,467,881)
Restricted	2,381,941	1,907,013
Unrestricted	(16,576,650)	(17,045,316)
Total net position	$ (16,867,440)	$ (17,606,184)

The total net position of the District increased during the current fiscal year by $738,744. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2026	2025
Revenues		
Property taxes, penalties and interest	$ 2,305,926	$ 2,242,320
Other	149,943	131,091
Total revenues	2,455,869	2,373,411
Expenses		
Operating and administrative	250,891	405,347
Debt interest and fees	1,198,681	922,016
Developer interest		647,374
Debt issuance costs		611,918
Depreciation and amortization	267,553	256,891
Total expenses	1,717,125	2,843,546
Change in net position before other item	738,744	(470,135)
Other item		
Transfers to other governments		(326,282)
Change in net position	738,744	(796,417)
Net position, beginning of year	(17,606,184)	(16,809,767)
Net position, end of year	$ (16,867,440)	$ (17,606,184)

Financial Analysis of the District's Funds

The District's combined fund balances, as of February 28, 2026, were $5,254,505, which consists of $2,303,726 in the General Fund, $2,736,146 in the Debt Service Fund and $214,633 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of February 28, 2026 and 2025, is as follows:

	2026	2025
Total assets	$ 2,360,799	$ 2,158,539
Total liabilities	$ 13,816	$ 15,535
Total deferred inflows	43,257	79,391
Total fund balance	2,303,726	2,063,613
Total liabilities, deferred inflows and fund balance	$ 2,360,799	$ 2,158,539

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

	2026	2025
Total revenues	$ 652,547	$ 847,904
Total expenditures	(412,434)	(175,032)
Revenues over expenditures	$ 240,113	$ 672,872

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

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of February 28, 2026 and 2025, is as follows:

	2026	2025
Total assets	$ 2,895,718	$ 2,353,786
Total liabilities	$ 16,254	$ 18,240
Total deferred inflows	143,318	159,073
Total fund balance	2,736,146	2,176,473
Total liabilities, deferred inflows and fund balance	$ 2,895,718	$ 2,353,786

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

	2026	2025
Total revenues	$ 1,840,271	$ 1,588,671
Total expenditures	(1,280,598)	(941,886)
Revenues over expenditures	$ 559,673	$ 646,785

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

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of February 28, 2026 and 2025, is as follows:

	2026	2025
Total assets	$ 371,274	$ 200,492
Total liabilities	$ 156,641	$ -
Total fund balance	214,633	200,492
Total liabilities and fund balance	$ 371,274	$ 200,492

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

	2026	2025
Total revenues	$ 14,941	$ 7,121
Total expenditures	(800)	(7,039,460)
Revenues over/(under) expenditures	14,141	(7,032,339)
Other changes in fund balance		7,190,000
Net change in fund balance	$ 14,141	$ 157,661

The District did not have any significant capital asset activity in the current fiscal year. The District's capital asset activity in the prior fiscal year was financed with proceeds from the issuance of its Series 2024 Unlimited Tax Bonds and Series 2024A Unlimited Tax Park Bonds.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $508,715 less than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

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

Capital assets held by the District at February 28, 2026 and 2025, are summarized as follows:

	2026	2025
Capital assets not being depreciated		
Land and improvements	$ 719,329	$ 719,329
Capital assets being depreciated/amortized		
Landscaping improvements	4,941,217	4,727,968
Impact fees	717,277	717,277
	5,658,494	5,445,245
Less accumulated depreciation/amortization		
Landscaping improvements	(1,425,503)	(1,178,443)
Impact fees	(61,479)	(40,986)
	(1,486,982)	(1,219,429)
Depreciable capital assets, net	4,171,512	4,225,816
Capital assets, net	$ 4,890,841	$ 4,945,145

Capital asset additions during the current fiscal year include landscaping improvements for Fulshear Run Park at Reserve B, Section 6.

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

Long-Term Debt and Related Liabilities

As of February 28, 2026, the District owes approximately $2,091,838 to its developer for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At February 28, 2026 and 2025, the District had total bonded debt outstanding as shown below:

Series	2026	2025
2019 Road	$ 4,030,000	$ 4,130,000
2023	8,590,000	8,590,000
2023A Road	4,800,000	4,800,000
2024	1,850,000	1,850,000
2024A Park	5,340,000	5,340,000
	$ 24,610,000	$ 24,710,000

At February 28, 2026, the District had $121,560,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; $37,660,000 for parks and recreational facilities and the refunding of such bonds; and $75,870,000 for road improvements and the refunding of such bonds.

Property Taxes

The District's property tax base decreased approximately $41,657,000 for the 2026 tax year from $209,116,582 to $167,459,501, based on preliminary values. The District has an additional $62,936,210 in uncertified values.

Next Year's Budget

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

	2026 Actual	2027 Budget
Total revenues	$ 652,547	$ 595,136
Total expenditures	(412,434)	(226,793)
Revenues over expenditures	240,113	368,343
Beginning fund balance	2,063,613	2,303,726
Ending fund balance	$ 2,303,726	$ 2,672,069

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Basic Financial Statements

Fulshear Municipal Utility District No. 2
Statement of Net Position and Governmental Funds Balance Sheet
February 28, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 3,368	$ 128,139	$ -	$ 131,507	$ -	$ 131,507
Investments	2,137,888	2,624,105	371,274	5,133,267		5,133,267
Taxes receivable	43,257	143,318		186,575		186,575
Interfund receivables	172,895			172,895	(172,895)	
Prepaid items	3,391			3,391		3,391
Other receivables		156		156		156
Capital assets not being depreciated					719,329	719,329
Capital assets, net					4,171,512	4,171,512
Total Assets	$ 2,360,799	$ 2,895,718	$ 371,274	$ 5,627,791	4,717,946	10,345,737
Liabilities						
Accounts payable	$ 13,816	$ -	$ -	$ 13,816		13,816
Interfund payables		16,254	156,641	172,895	(172,895)	
Accrued interest payable					497,523	497,523
Due to developer					2,091,838	2,091,838
Long-term debt						
Due within one year					415,000	415,000
Due after one year					24,195,000	24,195,000
Total Liabilities	13,816	16,254	156,641	186,711	27,026,466	27,213,177
Deferred Inflows of Resources						
Deferred property taxes	43,257	143,318		186,575	(186,575)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	3,391			3,391	(3,391)	
Restricted		2,736,146	214,633	2,950,779	(2,950,779)	
Unassigned	2,300,335			2,300,335	(2,300,335)	
Total Fund Balances	2,303,726	2,736,146	214,633	5,254,505	(5,254,505)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,360,799	$ 2,895,718	$ 371,274	$ 5,627,791		
Net Position						
Net investment in capital assets					(2,672,731)	(2,672,731)
Restricted for debt service					2,381,941	2,381,941
Unrestricted					(16,576,650)	(16,576,650)
Total Net Position					$ (16,867,440)	$ (16,867,440)

See notes to basic financial statements.

Fulshear Municipal Utility District No. 2
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended February 28, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 578,922	$ 1,721,984	$ -	$ 2,300,906	$ (45,193)	$ 2,255,713
Penalties and interest		56,910		56,910	(6,697)	50,213
Investment earnings	73,625	61,377	14,941	149,943		149,943
Total Revenues	652,547	1,840,271	14,941	2,507,759	(51,890)	2,455,869
Expenditures/Expenses						
Operating and administrative						
Professional fees	122,482		800	123,282		123,282
Contracted services	12,963	44,997		57,960		57,960
Repairs and maintenance	28,757			28,757		28,757
Utilities	18,667			18,667		18,667
Administrative	16,316	5,909		22,225		22,225
Capital outlay	213,249			213,249	(213,249)	
Debt service						
Principal		100,000		100,000	(100,000)	
Interest and fees		1,129,692		1,129,692	68,989	1,198,681
Depreciation and amortization					267,553	267,553
Total Expenditures/Expenses	412,434	1,280,598	800	1,693,832	23,293	1,717,125
Revenues Over Expenditures	240,113	559,673	14,141	813,927	(813,927)	
Change in Net Position					738,744	738,744
Fund Balance/Net Position						
Beginning of the year	2,063,613	2,176,473	200,492	4,440,578	(22,046,762)	(17,606,184)
End of the year	$ 2,303,726	$ 2,736,146	$ 214,633	$ 5,254,505	$ (22,121,945)	$ (16,867,440)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

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

Creation

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

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At February 28, 2026, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is $50,000. The threshold for subscription-based information technology arrangements (SBITAs) is $100,000.

Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of landscaping improvements and impact fees, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Landscaping improvements	20 years
Impact fees	Remaining life of contract

The District's drainage channels are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		$ 5,254,505
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 6,377,823	
Less accumulated depreciation/amortization	(1,486,982)	
		4,890,841
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Accrued interest payable	(497,523)	
Due to developer	(2,091,838)	
Bonds payable	(24,610,000)	
		(27,199,361)
Deferred inflows in the fund statements consist of property taxes receivable and related penalties and interest that have been levied and are due, but are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.		186,575
Total net position - governmental activities		$ (16,867,440)

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

Net change in fund balances - total governmental funds		$	813,927
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest.			(51,890)
Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:			
Capital outlays	$ 213,249		
Depreciation/amortization expense	(267,553)		
			(54,304)
Financial reporting for long-term obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as liabilities are acquired and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:			
Principal payments	100,000		
Interest expense accrual	(68,989)		
			31,011
Change in net position of governmental activities		$	738,744

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

As of February 28, 2026, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexSTAR	General	$ 2,137,888		
	Debt Service	2,624,105		
	Capital Projects	371,274		
		$ 5,133,267	AAAm	36 days

TexSTAR

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

TexSTAR uses amortized cost rather than fair value to report net assets to compute share price. Accordingly, investments in TexSTAR are stated at amortized cost which approximates fair value. Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at February 28, 2026, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 16,254	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	156,641	Bond application and issuance costs paid by the General Fund

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

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended February 28, 2026, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 719,329	$ -	$ 719,329
Capital assets being depreciated/amortized			
Landscaping improvements	4,727,968	213,249	4,941,217
Impact fees	717,277		717,277
	5,445,245	213,249	5,658,494
Less accumulated depreciation/amortization			
Landscaping improvements	(1,178,443)	(247,060)	(1,425,503)
Impact fees	(40,986)	(20,493)	(61,479)
	(1,219,429)	(267,553)	(1,486,982)
Subtotal depreciable capital assets, net	4,225,816	(54,304)	4,171,512
Capital assets, net	$ 4,945,145	$ (54,304)	$ 4,890,841

Depreciation/amortization expense for the current fiscal year was $267,553.

Note 6 – Due to Developer

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

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

The amount due to developer at February 28, 2026 is approximately $2,091,838. There was no change in this liability from the prior fiscal year.

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 24,610,000
Due within one year	$ 415,000

The District's bonds payable at February 28, 2026, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2019 Road	$ 4,030,000	$ 4,330,000	3.00% - 4.00%	April 1, 2023/2046	April 1, October 1	April 1, 2024
2023	8,590,000	8,590,000	5.00% - 7.50%	April 1, 2026/2049	April 1, October 1	April 1, 2028
2023A Road	4,800,000	4,800,000	4.50% - 7.00%	April 1, 2026/2049	April 1, October 1	April 1, 2028
2024	1,850,000	1,850,000	4.00% - 6.50%	April 1, 2027/2050	April 1, October 1	April 1, 2029
2024A Park	5,340,000	5,340,000	4.00% - 6.50%	April 1, 2027/2050	April 1, October 1	April 1, 2029
	$ 24,610,000					

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

At February 28, 2026, the District had authorized but unissued bonds in the amount of $121,560,000 for the purposes of acquiring, constructing and improving the water, sewer and drainage facilities within the District and the refunding of such bonds; $37,660,000 for park and recreational facilities and the refunding of such bonds; and $75,870,000 for road improvements and the refunding of such bonds.

The change in the District's long-term debt during the year is as follows:

Bonds payable, beginning of year	$	24,710,000
Bonds retired		(100,000)
Bonds payable, end of year	$	24,610,000

As of February 28, 2026, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2027	$ 415,000	$ 1,181,557	$ 1,596,557
2028	600,000	1,150,482	1,750,482
2029	620,000	1,112,463	1,732,463
2030	655,000	1,072,285	1,727,285
2031	700,000	1,030,212	1,730,212
2032	725,000	986,920	1,711,920
2033	760,000	943,999	1,703,999
2034	785,000	902,437	1,687,437
2035	850,000	860,394	1,710,394
2036	885,000	819,447	1,704,447
2037	920,000	779,641	1,699,641
2038	980,000	737,638	1,717,638
2039	1,015,000	693,438	1,708,438
2040	1,060,000	647,137	1,707,137
2041	1,125,000	597,991	1,722,991
2042	1,170,000	546,251	1,716,251
2043	1,245,000	491,747	1,736,747
2044	1,295,000	434,357	1,729,357
2045	1,370,000	374,128	1,744,128
2046	1,430,000	310,778	1,740,778
2047	1,515,000	243,892	1,758,892
2048	1,270,000	179,411	1,449,411
2049	1,335,000	117,871	1,452,871
2050	1,405,000	53,143	1,458,143
2051	480,000	9,977	489,977
	$ 24,610,000	$ 16,277,596	$ 40,887,596

Note 8 – Property Taxes

On May 14, 2015, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value, and $1.50 per $100 of assessed value for use in financing the maintenance of road improvements, and $0.10 per $100 of assessed value for use in financing the maintenance of parks and recreational facilities. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2026 fiscal year was financed through the 2025 tax levy, pursuant to which the District levied property taxes of $1.08 per $100 of assessed value, of which $0.26 was allocated to maintenance and operations, $0.53 was allocated to water, sewer, and drainage debt service, and $0.29 was allocated to road debt service. The resulting tax levy was $2,258,459 on the adjusted taxable value of $209,116,582.

Property taxes receivable, at February 28, 2026, consisted of the following:

Current year taxes receivable	$	149,331
Prior years taxes receivable		22,513
		171,844
Penalty and interest receivable		14,731
Total property taxes receivable	$	186,575

Note 9 – Development Agreement with the City of Fulshear

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

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

Pursuant to the agreement, the District agreed to pay the City impact fees of $3,641 per equivalent single-family connection for water supply, distribution, and sanity sewer treatment capacity. As of February 28, 2026, the District has paid $717,277 to the City.

Note 10 – Risk Management

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

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Required Supplementary Information

Fulshear Municipal Utility District No. 2
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended February 28, 2026

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	$ 915,000	$ 578,922	$ (336,078)
Investment earnings	45,000	73,625	28,625
Total Revenues	960,000	652,547	(307,453)
Expenditures			
Operating and administrative			
Professional fees	91,000	122,482	(31,482)
Contracted services	15,600	12,963	2,637
Repairs and maintenance	68,000	28,757	39,243
Utilities	18,000	18,667	(667)
Administrative	13,772	16,316	(2,544)
Other	4,800		4,800
Capital outlay		213,249	(213,249)
Total Expenditures	211,172	412,434	(201,262)
Revenues Over Expenditures	748,828	240,113	(508,715)
Fund Balance			
Beginning of the year	2,063,613	2,063,613	
End of the year	$ 2,812,441	$ 2,303,726	$ (508,715)

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

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

- [ ] Retail Water
- [ ] Wholesale Water
- [ ] Solid Waste / Garbage
- [X] Drainage
- [ ] Retail Wastewater
- [ ] Wholesale Wastewater
- [ ] Flood Control
- [ ] Irrigation
- [X] Parks / Recreation
- [ ] Fire Protection
- [X] Roads
- [ ] Security
- [ ] Participates in joint venture, regional system and/or wastewater service
- [X] Other (Specify): Water, wastewater and drainage facilities accepted by the City of Fulshear

2. Retail Service Providers

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

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

District employs winter averaging for wastewater usage? [ ] Yes [ ] No

Total charges per 10,000 gallons usage: Water ______ Wastewater ______

b. Water and Wastewater Retail Connections:

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

See accompanying auditor's report.

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons pumped into system:	N/A	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	N/A	N/A

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes [ ] No [X]

If yes, Date of the most recent commission Order: ____________

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

If yes, Date of the most recent commission Order: ____________

5. Location of District:

Is the District located entirely within one county? Yes [X] No [ ]

County(ies) in which the District is located: Fort Bend County

Is the District located within a city? Entirely [X] Partly [ ] Not at all [ ]

City(ies) in which the District is located: City of Fulshear

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

Entirely [ ] Partly [ ] Not at all [X]

ETJs in which the District is located: ____________

Are Board members appointed by an office outside the district? Yes [ ] No [X]

If Yes, by whom? ____________

See accompanying auditor's report.

Fulshear Municipal Utility District No. 2
TSI-2. General Fund Expenditures
For the Year Ended February 28, 2026

Professional fees		
Legal	$	82,860
Audit		16,500
Engineering		23,122
		122,482
Contracted services		
Bookkeeping		12,963
Repairs and maintenance		28,757
Utilities		18,667
Administrative		
Directors fees		9,503
Printing and office supplies		986
Insurance		3,186
Other		2,641
		16,316
Capital outlay		213,249
Total expenditures	$	412,434

See accompanying auditor's report.

Fulshear Municipal Utility District No. 2
TSI-3. Investments
February 28, 2026

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexSTAR	Variable	N/A	$ 2,137,888
Debt Service			
TexSTAR	Variable	N/A	1,512,811
TexSTAR	Variable	N/A	1,111,294
			2,624,105
Capital Projects			
TexSTAR	Variable	N/A	32,941
TexSTAR	Variable	N/A	338,333
			371,274
Total - All Funds			$ 5,133,267

See accompanying auditor's report.

Fulshear Municipal Utility District No. 2
TSI-4. Taxes Levied and Receivable
February 28, 2026

	Maintenance Taxes	Road Debt Service Taxes	W-S-D Debt Service Taxes	Total
Taxes Receivable, Beginning of Year	$ 79,391	$ 62,792	$ 74,851	$ 217,034
Adjustments to Prior Year Tax Levy	(915)	(762)	(1,066)	(2,743)
Adjusted Receivable	78,476	62,030	73,785	214,291
2025 Original Tax Levy	543,537	606,253	1,107,979	2,257,769
Adjustments	166	185	339	690
Adjusted Tax Levy	543,703	606,438	1,108,318	2,258,459
Total to be accounted for	622,179	668,468	1,182,103	2,472,750
Tax collections:				
Current year	507,753	566,340	1,035,035	2,109,128
Prior years	71,169	55,711	64,898	191,778
Total Collections	578,922	622,051	1,099,933	2,300,906
Taxes Receivable, End of Year	$ 43,257	$ 46,417	$ 82,170	$ 171,844
Taxes Receivable, By Years				
2025	$ 35,950	$ 40,098	$ 73,283	$ 149,331
2024	7,307	6,319	8,887	22,513
Taxes Receivable, End of Year	$ 43,257	$ 46,417	$ 82,170	$ 171,844

	2025	2024	2023	2022
Property Valuations:				
Land	$ 51,430,472	$ 53,330,931	$ 38,563,036	$ 24,527,807
Improvements	175,206,991	161,504,011	135,071,956	65,769,022
Personal Property	361,842	549,388	334,622	132,060
Exemptions	(17,882,723)	(20,602,966)	(20,263,674)	(8,490,301)
Total Property Valuations	$ 209,116,582	$ 194,781,364	$ 153,705,940	$ 81,938,588
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.26	$ 0.37	$ 0.61	$ 0.71
Road debt service tax rates	0.29	0.32	0.35	0.49
W-S-D debt service tax rates	0.53	0.45	0.21	
Total Tax Rates per $100 Valuation	$ 1.08	$ 1.14	$ 1.17	$ 1.20
Adjusted Tax Levy:	$ 2,258,459	$ 2,220,508	$ 1,798,359	$ 983,263
Percentage of Taxes Collected to Taxes Levied **	93.39%	98.99%	100.00%	100.00%

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

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

* Maximum Park and Recreational Facilities Maintenance Tax Rate Approved by Voters: $0.10 on May 14, 2015

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

See accompanying auditor's report.

Fulshear Municipal Utility District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2019 Road--by Years
February 28, 2026

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2027	$ 125,000	$ 152,169	$ 277,169
2028	125,000	148,419	273,419
2029	125,000	144,512	269,512
2030	125,000	140,372	265,372
2031	150,000	135,637	285,637
2032	150,000	130,294	280,294
2033	150,000	124,762	274,762
2034	150,000	119,137	269,137
2035	175,000	113,044	288,044
2036	175,000	106,372	281,372
2037	175,000	99,590	274,590
2038	200,000	92,200	292,200
2039	200,000	84,200	284,200
2040	200,000	76,200	276,200
2041	225,000	67,700	292,700
2042	225,000	58,700	283,700
2043	250,000	49,200	299,200
2044	250,000	39,200	289,200
2045	275,000	28,700	303,700
2046	275,000	17,700	292,700
2047	305,000	6,100	311,100
	$ 4,030,000	$ 1,934,208	$ 5,964,208

See accompanying auditor's report.

Fulshear Municipal Utility District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2023--by Years
February 28, 2026

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2027	$ 190,000	$ 473,575	$ 663,575
2028	200,000	458,950	658,950
2029	210,000	443,575	653,575
2030	220,000	427,450	647,450
2031	230,000	410,575	640,575
2032	245,000	392,763	637,763
2033	255,000	374,012	629,012
2034	270,000	354,325	624,325
2035	285,000	334,225	619,225
2036	300,000	316,750	616,750
2037	315,000	301,375	616,375
2038	330,000	285,250	615,250
2039	345,000	268,375	613,375
2040	365,000	250,625	615,625
2041	380,000	232,000	612,000
2042	400,000	212,500	612,500
2043	420,000	192,000	612,000
2044	445,000	170,375	615,375
2045	465,000	147,625	612,625
2046	490,000	123,750	613,750
2047	515,000	98,625	613,625
2048	545,000	72,125	617,125
2049	570,000	44,250	614,250
2050	600,000	15,000	615,000
	$ 8,590,000	$ 6,400,075	$ 14,990,075

See accompanying auditor's report.

Fulshear Municipal Utility District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2023A Road--by Years
February 28, 2026

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2027	$ 100,000	$ 242,000	$ 342,000
2028	105,000	234,825	339,825
2029	110,000	227,300	337,300
2030	120,000	219,250	339,250
2031	125,000	210,675	335,675
2032	130,000	201,750	331,750
2033	140,000	192,912	332,912
2034	145,000	185,362	330,362
2035	155,000	178,612	333,612
2036	165,000	171,412	336,412
2037	175,000	163,763	338,763
2038	180,000	155,775	335,775
2039	190,000	147,450	337,450
2040	205,000	138,434	343,434
2041	215,000	128,588	343,588
2042	225,000	118,138	343,138
2043	240,000	107,094	347,094
2044	250,000	95,456	345,456
2045	265,000	83,225	348,225
2046	280,000	70,281	350,281
2047	295,000	56,441	351,441
2048	310,000	41,500	351,500
2049	330,000	25,500	355,500
2050	345,000	8,625	353,625
	$ 4,800,000	$ 3,404,368	$ 8,204,368

See accompanying auditor's report.

Fulshear Municipal Utility District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2024--by Years
February 28, 2026

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2027	$ -	$ 79,500	$ 79,500
2028	45,000	78,038	123,038
2029	45,000	75,113	120,113
2030	50,000	72,025	122,025
2031	50,000	69,400	119,400
2032	50,000	67,400	117,400
2033	55,000	65,300	120,300
2034	55,000	63,100	118,100
2035	60,000	60,800	120,800
2036	65,000	58,300	123,300
2037	65,000	55,700	120,700
2038	70,000	53,000	123,000
2039	70,000	50,200	120,200
2040	75,000	47,300	122,300
2041	80,000	44,200	124,200
2042	80,000	41,000	121,000
2043	85,000	37,647	122,647
2044	90,000	34,038	124,038
2045	95,000	30,222	125,222
2046	100,000	26,138	126,138
2047	105,000	21,780	126,780
2048	105,000	17,318	122,318
2049	110,000	12,750	122,750
2050	120,000	7,863	127,863
2051	125,000	2,656	127,656
	$ 1,850,000	$ 1,170,788	$ 3,020,788

See accompanying auditor's report.

Fulshear Municipal Utility District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2024A Park--by Years
February 28, 2026

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2027	$ -	$ 234,313	$ 234,313
2028	125,000	230,250	355,250
2029	130,000	221,963	351,963
2030	140,000	213,188	353,188
2031	145,000	203,925	348,925
2032	150,000	194,713	344,713
2033	160,000	187,013	347,013
2034	165,000	180,513	345,513
2035	175,000	173,713	348,713
2036	180,000	166,613	346,613
2037	190,000	159,213	349,213
2038	200,000	151,413	351,413
2039	210,000	143,213	353,213
2040	215,000	134,578	349,578
2041	225,000	125,503	350,503
2042	240,000	115,913	355,913
2043	250,000	105,806	355,806
2044	260,000	95,288	355,288
2045	270,000	84,356	354,356
2046	285,000	72,909	357,909
2047	295,000	60,946	355,946
2048	310,000	48,468	358,468
2049	325,000	35,371	360,371
2050	340,000	21,655	361,655
2051	355,000	7,321	362,321
	$ 5,340,000	$ 3,368,157	$ 8,708,157

See accompanying auditor's report.

Fulshear Municipal Utility District No. 2
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
February 28, 2026

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2027	$ 415,000	$ 1,181,557	$ 1,596,557
2028	600,000	1,150,482	1,750,482
2029	620,000	1,112,463	1,732,463
2030	655,000	1,072,285	1,727,285
2031	700,000	1,030,212	1,730,212
2032	725,000	986,920	1,711,920
2033	760,000	943,999	1,703,999
2034	785,000	902,437	1,687,437
2035	850,000	860,394	1,710,394
2036	885,000	819,447	1,704,447
2037	920,000	779,641	1,699,641
2038	980,000	737,638	1,717,638
2039	1,015,000	693,438	1,708,438
2040	1,060,000	647,137	1,707,137
2041	1,125,000	597,991	1,722,991
2042	1,170,000	546,251	1,716,251
2043	1,245,000	491,747	1,736,747
2044	1,295,000	434,357	1,729,357
2045	1,370,000	374,128	1,744,128
2046	1,430,000	310,778	1,740,778
2047	1,515,000	243,892	1,758,892
2048	1,270,000	179,411	1,449,411
2049	1,335,000	117,871	1,452,871
2050	1,405,000	53,143	1,458,143
2051	480,000	9,977	489,977
	$ 24,610,000	$ 16,277,596	$ 40,887,596

See accompanying auditor's report.

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Fulshear Municipal Utility District No. 2
TSI-6. Change in Long-Term Bonded Debt
February 28, 2026

	Bond Issue			
	Series 2019 Road	Series 2023	Series 2023A Road	Series 2024
Interest rate	3.00% - 4.00%	5.00% - 7.50%	4.50% - 7.00%	4.00% - 6.50%
Dates interest payable	4/1 ; 10/1	4/1 ; 10/1	4/1 ; 10/1	4/1 ; 10/1
Maturity dates	4/1/23 - 4/1/46	4/1/26 - 4/1/49	4/1/26 - 4/1/49	4/1/27 - 4/1/50
Beginning bonds outstanding	$ 4,130,000	$ 8,590,000	$ 4,800,000	$ 1,850,000
Bonds retired	(100,000)			
Ending bonds outstanding	$ 4,030,000	$ 8,590,000	$ 4,800,000	$ 1,850,000
Interest paid during fiscal year	$ 155,544	$ 480,700	$ 245,500	$ 66,250
Paying agent's name and city All Series	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas			

Bond Authority:	Water, Sewer, Drainage and Refunding Bonds	Road and Refunding Bonds	Park and Recreational and Refunding Bonds
Amount Authorized by Voters	$ 132,000,000	$ 85,000,000	$ 43,000,000
Amount Issued	(10,440,000)	(9,130,000)	(5,340,000)
Remaining To Be Issued	$ 121,560,000	$ 75,870,000	$ 37,660,000

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

Debt Service Fund cash and investments balance as of February 28, 2026:	$ 2,752,244
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,635,504

See accompanying auditor's report.

Bond Issue Series 2024A Park	Totals
4.00% - 6.50%	
4/1 ; 10/1	
4/1/27 - 4/1/50	
$ 5,340,000	$ 24,710,000
	(100,000)
$ 5,340,000	$ 24,610,000
$ 195,260	$ 1,143,254

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

	Amounts				
	2026	2025	2024	2023	2022
Revenues					
Property taxes	$ 578,922	$ 778,365	$ 857,651	$ 525,218	$ 408,423
Investment earnings	73,625	69,539	53,312	4,580	52
Total Revenues	652,547	847,904	910,963	529,798	408,475
Expenditures					
Operating and administrative					
Professional fees	122,482	102,858	114,632	44,858	43,658
Contracted services	12,963	12,917	13,992	11,941	13,320
Repairs and maintenance	28,757	29,076	52,199	64,951	26,436
Utilities	18,667	14,651	23,581	13,033	12,864
Administrative	16,316	13,430	13,172	6,651	12,083
Other		2,100			
Capital outlay	213,249		609,329	60,000	
Total Expenditures	412,434	175,032	826,905	201,434	108,361
Revenues Over Expenditures	240,113	672,872	84,058	328,364	300,114
Fund Balance, Beginning of the year	2,063,613	1,390,741	1,306,683	978,319	678,205
End of the year	$ 2,303,726	$ 2,063,613	$ 1,390,741	$ 1,306,683	$ 978,319

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2026	2025	2024	2023	2022
89%	92%	94%	99%	100%
11%	8%	6%	1%	*
100%	100%	100%	100%	100%
19%	12%	13%	8%	11%
2%	2%	2%	2%	3%
4%	3%	6%	12%	6%
3%	2%	3%	2%	3%
3%	2%	1%	1%	3%
	*			
33%		67%	11%	
64%	21%	92%	36%	26%
36%	79%	8%	64%	74%

Fulshear Municipal Utility District No. 2
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2026	2025	2024	2023	2022
Revenues					
Property taxes	$ 1,721,984	$ 1,485,460	$ 777,447	$ 399,840	$ 214,598
Penalties and interest	56,910	48,780	15,455	4,934	5,449
Investment earnings	61,377	54,431	29,334	5,013	13
Total Revenues	1,840,271	1,588,671	822,236	409,787	220,060
Expenditures					
Tax collection services	50,906	38,731	23,061	20,527	15,467
Other				405	168
Debt service					
Principal	100,000	100,000	100,000		
Interest and fees	1,129,692	803,155	163,119	163,044	163,044
Total Expenditures	1,280,598	941,886	286,180	183,976	178,679
Revenues Over Expenditures	559,673	646,785	536,056	225,811	41,381
Other Financing Sources					
Proceeds from sale of bonds			438,090		
Net Change in Fund Balance	559,673	646,785	974,146	225,811	41,381
Fund Balance, Beginning of the year	2,176,473	1,529,688	555,542	329,731	288,350
End of the year	$ 2,736,146	$ 2,176,473	$ 1,529,688	$ 555,542	$ 329,731

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2026	2025	2024	2023	2022
94%	94%	94%	98%	98%
3%	3%	2%	1%	2%
3%	3%	4%	1%	*
100%	100%	100%	100%	100%
3%	2%	3%	5%	7%
			*	*
5%	6%	12%		
61%	51%	20%	40%	74%
69%	59%	35%	45%	81%
31%	41%	65%	55%	19%

Fulshear Municipal Utility District No. 2
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended February 28, 2026

Complete District Mailing Address:	9 Greenway Plaza, Suite 1000, Houston, Texas 77046-3653
District Business Telephone Number:	(713) 651-0111
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	Feburary 28, 2024
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.060)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Jeff Hogan	05/24 - 05/28	$ 2,210	$ -	President
Mary Alford	05/24 - 05/28	1,547		Vice President
Connie McMaken	05/20 - 05/26	1,547		Secretary
Joy Bastawrous	02/24 - 05/28	2,431	1,062	Assistant Secretary
David Little	10/23 - 05/26	1,989		Assistant Secretary
		Amounts Paid		
Consultants				
Coats Rose, P.C.	2015			Attorney
General legal fees		$ 91,456		
Myrtle Cruz, Inc.	2015	14,935		Bookkeeper
Bob Leared Interests	2015	6,600		Tax Collector
Fort Bend Central Appraisal District	Legislation	30,050		Property Valuation
Robert Deden Services, Inc.	2015	5,123		Engineer
McGrath & Co., PLLC	2017	16,500		Auditor
The GMS Group	2015	1,600		Financial Advisor

* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.

See accompanying auditor's report.