

PRELIMINARY OFFICIAL STATEMENT

DATED MARCH 31, 2026

**Ratings: S&P: "AA+"
See ("OTHER INFORMATION -
RATING" herein)**

NEW ISSUE - BOOK-ENTRY-ONLY

IN THE OPINION OF BOND COUNSEL TO THE CITY, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS ON THE DATE THEREOF, SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS.

\$13,500,000*
CITY OF FULSHEAR, TEXAS
(A political subdivision located within Fort Bend County)
GENERAL OBLIGATION BONDS, SERIES 2026

Dated Date: May 1, 2026

Due: April 15, as shown on page 2

Interest Accrual Date: Date of Delivery

PAYMENT TERMS . . . Interest on the \$13,500,000* City of Fulshear, Texas, General Obligation Bonds, Series 2026 (the "Bonds") will accrue from the date of delivery to the purchaser thereof (the "Delivery Date"), and will be payable October 15 and April 15 of each year commencing October 15, 2026, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar (as defined herein) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Bonds - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE BONDS - PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1331, Texas Government Code, as amended, (the "Act") an election held in the City of Fulshear, Texas (the "City") on May 3, 2025, the home rule charter of the City and an ordinance of the City authorizing the issuance of the Bonds (the "Ordinance"), adopted by City Council, on April 7, 2026. The Bonds constitute direct obligations of the City, payable from an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, as provided in the Ordinance. (see "THE BONDS – AUTHORITY FOR ISSUANCE").

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) designing, acquiring, constructing, renovating, improving, upgrading, enhancing, and equipping Phase III of Primrose Park within the City and acquiring lands and rights-of-way necessary thereto; (ii) acquiring park land within the City, (i and ii are collectively referred to herein as the "Project") and (iii) paying the costs associated with the issuance of the Bonds.

SEE MATURITY SCHEDULE ON PAGE 2

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after April 15, 2037, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on April 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. (See "THE BONDS – OPTIONAL REDEMPTION").

MANDATORY SINKING FUND REDEMPTION . . . In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule on page 2 hereof are combined to create Term Bonds (the "Term Bonds"), each such Term Bond shall be subject to mandatory sinking fund redemption commencing on April 15 of the first year which has been combined to form such Term Bond and continuing on April 15 in each year thereafter until the stated maturity date of that Term Bond, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule on page 2 hereof (see "THE BONDS – MANDATORY SINKING FUND REDEMPTION").

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchaser (the "Initial Purchaser") and subject to the approving opinions of the Attorney General of Texas and of McCall, Parkhurst & Horton L.L.P., Houston, Texas, Bond Counsel (see APPENDIX C, "FORM OF BOND COUNSEL'S OPINION"). Certain legal matters will be passed on for the City by McCall, Parkhurst & Horton L.L.P. as Special Disclosure Counsel to the City.

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on or about May 5, 2026.

BIDS DUE: 9:00 AM. CDT, APRIL 7, 2026

*Preliminary, subject to change. (See "THE BONDS - ADJUSTMENT OF PRINCIPAL AMOUNTS" in the accompanying Notice of Sale)

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$13,500,000*
CITY OF FULSHEAR, TEXAS
(A political subdivision located within Fort Bend County)
GENERAL OBLIGATION BONDS, SERIES 2026

MATURITY SCHEDULE*

Due April 15	Principal Amount*	Interest Rate	Initial Reoffering Yield ⁽²⁾	CUSIP Number ⁽³⁾	Due April 15	Principal Amount*	Interest Rate	Initial Reoffering Yield ⁽²⁾	CUSIP Number ⁽³⁾
2027	\$ 250,000	%	%		2042	\$ 455,000 ⁽¹⁾	%	%	
2028	230,000				2043	475,000 ⁽¹⁾			
2029	240,000				2044	495,000 ⁽¹⁾			
2030	250,000				2045	520,000 ⁽¹⁾			
2031	265,000				2046	545,000 ⁽¹⁾			
2032	275,000				2047	570,000 ⁽¹⁾			
2033	295,000				2048	595,000 ⁽¹⁾			
2034	310,000				2049	630,000 ⁽¹⁾			
2035	320,000				2050	660,000 ⁽¹⁾			
2036	340,000				2051	690,000 ⁽¹⁾			
2037	350,000 ⁽¹⁾				2052	730,000 ⁽¹⁾			
2038	370,000 ⁽¹⁾				2053	760,000 ⁽¹⁾			
2039	390,000 ⁽¹⁾				2054	805,000 ⁽¹⁾			
2040	410,000 ⁽¹⁾				2055	840,000 ⁽¹⁾			
2041	435,000 ⁽¹⁾								

* Preliminary, subject to change. (See "THE BONDS - ADJUSTMENT OF PRINCIPAL AMOUNTS" in the accompanying Notice of Sale)

- (1) The City reserves the right, at its option, to redeem Bonds having stated maturities on and after April 15, 2037^{*}, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on April 15, 2036^{*}, or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption. Additionally, principal amounts for two or more consecutive maturities designated in the above schedule may be combined to create one or more term Bonds (the "Term Bonds"), with each such Term Bond being subject to mandatory sinking fund redemption. (See "THE BONDS – Mandatory Sinking Fund Redemption").
- (2) The initial reoffering prices or yields on the Bonds are furnished by the Initial Purchaser and represent the initial offering prices or yields to the public, which may be changed by the Initial Purchaser at any time.
- (3) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Municipal Advisor, nor Bond Counsel shall be responsible for the selection or correctness of CUSIP numbers shown herein.

USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), this document as the same may be supplemented or corrected by the City from time-to-time, may be treated as an Official Statement with respect to the Bonds described herein "deemed final" by the City as of the date hereof (or of any such supplement or correction) except for the omission of no more than the information provided by subsection (b)(1) of the Rule.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Municipal Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described.

None of the City, the Municipal Advisor, the Initial Purchasers, or Bond Counsel make any representation or warranty with respect to the information contained in the Official Statement regarding the Depository Trust Company ("DTC") or its Book-Entry-Only System as described under "THE BONDS – BOOK-ENTRY-ONLY SYSTEM" as such information has been provided by DTC.

All the summaries of the statutes, ordinances, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the City.

The agreements of the City and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as an agreement with the Initial Purchaser of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

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The cover page hereof, inside cover page, this page, the appendices included herein and any addenda or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY.....The City of Fulshear, Texas (the “City”) is a political subdivision and municipal corporation of the State of Texas (the “State”), located in Fort Bend County, Texas. The City covers approximately 15 square miles (see “INTRODUCTION - DESCRIPTION OF CITY”).

The BONDSThe Bonds are issued as \$13,500,000* General Obligation Bonds, Series 2026. The Bonds are issued as serial Bonds maturing April 15, 2027 through and including April 15, 2055, unless the Initial Purchaser designates one or more maturities as Term Bonds (as defined herein) (see “THE BONDS - DESCRIPTION OF THE BONDS”).

PAYMENT OF INTERESTInterest on the Bonds accrues from the date of delivery and is payable October 15, 2026, and each April 15 and October 15 thereafter until maturity or prior redemption (see “THE BONDS - DESCRIPTION OF THE BONDS” and “THE BONDS - OPTIONAL REDEMPTION”).

AUTHORITY FOR

ISSUANCE.....The Bonds are issued pursuant to the general laws of the State, including particularly Chapter 1331, Texas Government Code, an election held in the City of Fulshear, Texas (the “City”), the home rule charter of the City and an Ordinance passed by the City Council of the City (see “THE BONDS - AUTHORITY FOR ISSUANCE”).

SECURITY FOR THE

BondsThe Bonds constitute direct obligations of the City, payable from the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, as provided in the Ordinance. (see “THE BONDS - SECURITY AND SOURCE OF PAYMENT”).

OPTIONAL REDEMPTION.....The City reserves the right, at its option, to redeem Bonds having stated maturities on and after April 15, 2037, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on April 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS—OPTIONAL REDEMPTION”). Additionally, the Bonds may be subject to mandatory redemption in the event the Initial Purchaser elects to aggregate one or more maturities as a Term Bond. (See “THE BONDS – MANDATORY SINKING FUND REDEMPTION.”)

NOT QUALIFIED TAX-EXEMPT

OBLIGATIONSThe City will **not** designate the Bonds as “Qualified Tax-Exempt Obligations” for financial institutions (see “TAX MATTERS – PURCHASE OF TAX-EXEMPT OBLIGATIONS BY FINANCIAL INSTITUTIONS”).

TAX EXEMPTIONIn the opinion of Bond Counsel to the City, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.

USE OF PROCEEDSProceeds from the sale of the Bonds will be used to (i) finance the construction, acquisition, equipping of the Project and (ii) pay legal, fiscal and engineering fees in connection with such projects and to pay the costs of issuance related to such Bonds.

RATINGS.....The Bonds and outstanding debt of the City are rated “AA+” by S&P Global Ratings, a Standard & Poor’s Financial Services LLC business (“S&P”) without regard to credit enhancement (see “OTHER INFORMATION - RATING”).

BOOK-ENTRY-ONLY

SYSTEM.....The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - BOOK-ENTRY-ONLY SYSTEM”).

PAYMENT RECORDThe City has never defaulted in payment of its general obligation tax debt.

* Preliminary, subject to change. (See “THE BONDS - ADJUSTMENT OF PRINCIPAL AMOUNTS” in the accompanying Notice of Sale).

SELECTED FINANCIAL INFORMATION

Fiscal Year Ending 9/30	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	General Obligation Tax Debt	General Obligation Tax Debt Net of Self Supporting	Net Per Capita Tax Debt	Ratio Net Tax Debt to Taxable Assessed Valuation	% Total Collections
2021	16,856	\$ 2,142,332,440	\$ 127,096	\$ -	\$ -	\$ -	0.00%	99.78%
2022	25,169	2,462,721,388	97,847	-	-	-	0.00%	99.88%
2023	34,264	3,188,173,735	93,047	36,380,000	-	-	0.00%	99.83%
2024	34,264	3,922,881,429	114,490	36,380,000	-	-	0.00%	99.74%
2025	34,264	4,637,608,318	135,349	79,605,000	-	-	0.00%	99.55%
2026	42,616	5,229,167,692	122,704	92,470,000 ⁽³⁾	13,500,000 ⁽⁴⁾	317	0.26%	⁽⁵⁾

(1) Source: The City.

(2) As reported by the Fort Bend Central Appraisal District; subject to change during the ensuing year.

(3) Preliminary, subject to change. After issuance of the Bonds.

(4) Preliminary, subject to change. After issuance of the Bonds. Excludes the Combination Tax and Revenue Certificates of Obligation, Series 2022 and Combination Tax and Revenue Certificates of Obligation, Series 2024 which are supported by the City's utility fund. There is no guarantee that the Combination Tax and Revenue Certificates of Obligation, Series 2022 and Combination Tax and Revenue Certificates of Obligation, Series 2024 will be paid by these funds in the future.

(5) Collections in process and were due January 31, 2026.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	2025	2024	2023	2022	2021
Beginning Balance	\$ 14,915,582	\$ 11,807,145	\$ 7,746,238	\$ 7,467,707	\$ 6,729,672 ⁽¹⁾
Total Revenue	20,354,438	22,147,194	17,226,210	16,356,927	16,425,403
Total Expenditures	19,589,099	16,083,697	14,701,872	12,694,514	25,767,092
Other Financing Sources (Uses)	5,310,747	(2,955,060)	1,536,569	(3,383,882)	10,079,724
Ending Balance	\$ 20,991,668	\$ 14,915,582	\$ 11,807,145	\$ 7,746,238	\$ 7,467,707

(1) Includes prior period adjustment.

**CITY OF FULSHEAR, TEXAS
6611 W. Cross Creek Bend Lane
Fulshear, Texas 77441**

CERTAIN CITY OFFICIALS

City Council

Name	Term Expires (May)	Occupation
Don McCoy Mayor	2026	President/CEO, Fulshear Katy Area Chamber of Commerce
Sarah B. Johnson Mayor Pro-Tem, District 1	2026	Change and Transformation Lead, BP
Camron K. Miller Councilmember At-Large 1	2026	Principal Geologist, SLB
Jason Knape Councilmember At-Large 2	2026	Executive, PROS Inc.
Patrick Powers Councilmember District 2	2026	Property Tax Consultant, Michel Gray & Rogers LLP
Christina Baron Councilmember District 3	2026	Group Exercise Instructor, YMCA of Greater Houston
Richard Russell Councilmember District 4	2026	Senior Global Supply Manager, Laborie
Abhijeet Utturkar Councilmember District 5	2026	Chief Engineer, Sempra Infrastructure

Appointed Officials

Name	Position	Years of Experience	Time in Current Position
Zach Goodlander	City Manager	13 years	1 year
Angela Alvarado	Director of Finance	1 year	<1 year
Mariela Rodriguez	City Secretary	10 years	3 years

CONSULTANTS AND ADVISORS

Auditor Crowe LLP
Houston, Texas

Bond Counsel and Disclosure Counsel..... McCall, Parkhurst & Horton L.L.P.
Houston, Texas

Municipal Advisor..... Masterson Advisors LLC
Houston, Texas

For additional information regarding the City, please contact either:

Zach Goodlander
City of Fulshear
6611 W. Cross Creek Bend Lane
Fulshear, Texas 77441
(281) 346-1796 Phone
(281) 346-2556 Fax

Drew Masterson
Masterson Advisors LLC
3 Greenway Plaza, Suite 1100
Houston, Texas 77046
(713) 814-0555 Phone
(713) 814-0581 Fax

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

\$13,500,000*
CITY OF FULSHEAR, TEXAS
GENERAL OBLIGATION BONDS
SERIES 2026

INTRODUCTION

This Official Statement, which includes the cover page, Schedule, and Appendices hereto, provides certain information regarding the issuance of the \$13,500,000* City of Fulshear, Texas General Obligation Bonds, Series 2026 (the "Bonds"). Capitalized terms used in this Official Statement, except as otherwise indicated herein, have the same meanings assigned to such terms in the ordinance authorizing the issuance of the Bonds (the "Ordinance"), to be adopted on April 7, 2026.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City of Fulshear, Texas (the "City") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Municipal Advisor, Masterson Advisors LLC, Houston, Texas, by electronic mail or upon payment of reasonable handling, mailing, and delivery charges.

DESCRIPTION OF THE CITY

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City first adopted its Home Rule Charter in 2016 and such charter was most recently amended in 2022. The City operates under the Council/Manager form of government composed of a mayor and seven council members elected for staggered two-year terms. It is the City Council's responsibility to appoint a City Manager who is the chief administrator and executive officer of the City. See "APPENDIX B – GENERAL INFORMATION REGARDING THE CITY."

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds are dated May 1, 2026 and mature on April 15 in each of the years and in the amounts shown on page 2 hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on October 15 and April 15, commencing October 15, 2026. The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar (as defined herein) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

AUTHORITY FOR ISSUANCE

The Bonds are issued pursuant to the general laws of the State, including particularly Chapter 1331, Texas Government Code, an election held in the City on May 3, 2025, the home rule charter of the City and an Ordinance passed by the City Council of the City (see "THE BONDS - AUTHORITY FOR ISSUANCE").

SECURITY AND SOURCE OF PAYMENT

Tax Pledge . . . The Bonds constitute direct obligations of the City payable from an annual ad valorem tax levied against all taxable property within the City, within the limits prescribed by law (see "TAX INFORMATION – DEBT TAX RATE LIMITATIONS" below).

* Preliminary, subject to change. (See "THE BONDS - ADJUSTMENT OF PRINCIPAL AMOUNTS" in the accompanying Notice of Sale).

USE OF PROCEEDS

Proceeds from the sale of the Bonds will be used for the purpose of paying all or any part of the costs to (i) designing, acquiring, constructing, renovating, improving, upgrading, enhancing, and equipping Phase III of Primrose Park within the City and acquiring lands and rights-of-way necessary thereto; (ii) acquiring park land within the City, (i and ii are collectively referred to herein as the “Project”) and (iii) paying the costs associated with the issuance of the Bonds.

Par Amount of the Bonds	-
Total Sources of Funds	<u>-</u>
Deposit to Construction Fund	-
Costs of Issuance ⁽¹⁾	-
Initial Purchaser's Discount	-
Additional Proceeds	<u>-</u>
Total Uses of Funds	<u>-</u>

(1) Includes professional costs, rating agency fees, fees of the Paying Agent/Registrar, rounding amount and other costs of issuance.

OPTIONAL REDEMPTION

The City reserves the right, at its option, to redeem Bonds having stated maturities on and after April 15, 2037, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on April 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City shall determine the maturity or maturities (or mandatory sinking fund payments with respect to Term Bonds) to be redeemed, and shall direct the Paying Agent to call by lot or other custom method that results in random selection the Bonds, or portions thereof, within such maturity or maturities and in such principal amounts for redemption. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION

The Bonds maturing in _____ (the “Term Bonds”), shall be subject to mandatory sinking fund redemption, in whole or in part (at a redemption price equal to the principal amount thereof and any accrued interest thereon to the date set for redemption), on April 15 in each of the years and in the amounts set forth below:

<u>Term Bonds</u>	
<u>Maturing April 15, 20</u>	
Mandatory Redemption	Mandatory Sinking
<u>Dates</u>	<u>Fund Payment</u>
April 15, 20__	\$
April 15, 20__	\$
April 15, 20__ (Stated Maturity)	\$

The particular Term Bonds to be mandatorily redeemed shall be selected by lot or other customary random selection method by the Paying Agent/Registrar. The principal amount of the Term Bonds to be mandatorily redeemed on such mandatory redemption date shall be reduced at the option of the City by the principal amount of such Term Bond which, by the 45th day prior to such mandatory redemption date, (i) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

NOTICE OF REDEMPTION

The Paying Agent/Registrar shall give notice of any redemption of Bonds by sending notice by United States mail, first class, postage prepaid, not less than thirty (30) days before the date fixed for redemption, to the Owner of each Bond (or part thereof) to be redeemed, at the address shown on the registration books at the close of business on the Business Day next preceding the date of mailing such notice. The notice shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The City reserves the right to give notice of its election or direction to redeem Bonds under "Optional Redemption" herein conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a Bond of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption where redemption has been rescinded shall remain outstanding.

DEFEASANCE

The Ordinance provides that the City reserves the right to defease, refund or discharge the Bonds (i) by irrevocably depositing with the Paying Agent/Registrar, or other lawfully authorized escrow agent, in trust a sum of money equal to the principal of, premium, if any, and all interest to accrue on such Bonds to maturity or redemption or (ii) by irrevocably depositing with the Paying Agent/Registrar, or other lawfully authorized escrow agent, in trust amounts sufficient, together with the investment earnings thereon, to provide for the payment and/or redemption of such Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or (iii) any combination of (i) and (ii) above. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds, as the case may be.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Municipal Advisor, and the Initial Purchaser believe the source of such information to be reliable, but none of the City, the Municipal Advisor nor the Initial Purchaser take any responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security will be issued for each maturity of the Bonds in the aggregate principal of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest, and redemption payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's

records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, interest and redemption payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT....In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM....In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed bonds will be issued to the holders and the Bonds will be subject to transfer, exchange, and registration provisions as set forth in the Ordinance and summarized under "THE BONDS – TRANSFERS AND EXCHANGES" below.

PAYING AGENT/REGISTRAR

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

OWNERSHIP

The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bonds for the purposes of making payment of the principal thereof and the interest thereon and for all other purposes, whether or not such Bond is overdue. Neither the City nor the Paying Agent/Registrar will be bound by any notice or knowledge to the contrary. All payments made to the registered owner of such Bond in accordance with the Ordinance will be valid and effectual and will discharge the liability of the City and the Paying Agent/Registrar for such Bond to the extent of the sums paid.

TRANSFERS AND EXCHANGES

In the event the book-entry-only system should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owners, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office or the Paying Agent/Registrar, or sent by United States mail, first class postage prepaid, to the new registered owner or his designee.

The ownership of a Bond may be transferred only upon the presentation and surrender of the Bond to the Paying Agent/Registrar at the Designated Payment/Transfer Office with such endorsement or other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. No transfer of any Bond shall be effective until entered in the Register. The Bonds shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office for a Bond or Bonds of the same maturity and interest rate and in any Authorized Denominations, and in an aggregate principal amount equal to the unpaid principal amount of the Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver Bonds transferred or exchanged in accordance with the Ordinance.

A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond being transferred or exchanged, at the Designated Payment/Transfer, or sent by United States mail, first class, postage prepaid, to the Owner or his designee. Each Bond delivered by the Paying Agent/Registrar in accordance with this Section shall constitute an original contractual obligation of the City and shall be entitled to the benefits and security of the Ordinance to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

No service charge shall be made to the Owner for the initial registration, any subsequent transfer, or exchange for a different denomination of any of the Bonds. The Paying Agent/Registrar, however, may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer or exchange of a Bond.

Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Bond called for redemption, in whole or in part, where such redemption is scheduled to occur within 45 days after the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the Owner of the uncalled principal balance of a Bond.

REPLACEMENT BONDS

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon presentation and surrender of such mutilated Bond to the Paying Agent/Registrar. The City or the Paying Agent/Registrar may require the owner to pay all expenses and charges in connection therewith. In the case of any Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only once the owner (a) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Bond, (b) furnishes security or indemnity as may be required by the Paying Agent/Registrar and the City, (c) pays all expenses and charges in connection therewith and (d) satisfies any other reasonable requirements imposed by the City and the Paying Agent/Registrar.

RECORD DATE FOR INTEREST PAYMENT

The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the last business day of the month next preceding such date. In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

REMEDIES IN THE EVENT OF DEFAULT

The Ordinance does not provide for the appointment of a trustee to protect and enforce the interest of the registered owners upon the occurrence of such a default. If a registered owner of a Bond does not receive payment of principal or interest when due, the registered owner may seek a writ of mandamus from a court of competent jurisdiction requiring the City to levy and collect taxes. The mandamus remedy, however, may be impractical and difficult to enforce. There is no provision for the acceleration of maturity of principal of a Bond in the event of a default. A registered owner of a Bond could file suit against the City if a default occurred in the payment of principal of or interest on any such Bonds; however, a suit for monetary damages could be vulnerable to the defense of sovereign immunity as discussed below, and any judgment could not be satisfied by execution against any property of the City.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Bonds or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to restrict the waiver of immunity when a city performs a proprietary function. The Court remanded the case so that the appellate court could rule on whether the contract at issue was proprietary or governmental. *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018). On remand, the appellate court found for the City of Jacksonville by holding the contract claim arose from the city's performance of a governmental function, and thus the claim was barred by immunity. After granting Wasson's petition for review of the appellate decision, the Court held that to determine if the city was engaged in a proprietary or governmental function, the focus of the inquiry is on the nature of the contract at the time of execution, not the nature of the breach at the time of the breach.

The City is also eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bond holders of an entity which has sought protection under Chapter 9.

Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court), and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

TAX INFORMATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Fort Bend Central Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

Through December 31, 2026, an appraisal district is prohibited from increasing the appraised value of real property during the 2025 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,160,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2025 tax year, through December 31, 2026 (unless extended by the Legislature), the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see “TAX INFORMATION – CITY AND TAXPAYER REMEDIES”).

STATE MANDATED HOMESTEAD EXEMPTIONS

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed or fatally wounded in the line of duty and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

PERSONAL PROPERTY

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Pursuant to voter approval at a Statewide election held on November 4, 2025, legislation passed by the Legislature and signed by the Governor during the 89th Regular Session will provide a person to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

OTHER EXEMPT PROPERTY

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

TAX INCREMENT REINVESTMENT ZONES

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See “TAX INFORMATION” – CITY APPLICATION OF PROPERTY TAX CODE” for descriptions of any TIRZ created in the City.

TAX ABATEMENT AGREEMENTS

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See “TAX INFORMATION – CITY APPLICATION OF PROPERTY TAX CODE” for descriptions of any of the City’s tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the City, see “TAX INFORMATION – CITY APPLICATION OF PROPERTY TAX CODE” herein.

CHAPTER 380 AGREEMENTS

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended (“Chapter 380”) to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the City, adopting its tax rate for the tax year. A taxing unit, such as the City, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS

The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“special taxing unit” means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

“unused increment rate” means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 through 2024 divided by the current total value.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the “unused increment rate”.

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate", an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Bonds.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

DEBT TAX RATE LIMITATIONS

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance based on a 90% collection rate.

CITY AND TAXPAYER REMEDIES

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$61,349,201 for the 2025 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see “TAX INFORMATION – PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS”). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

LEVY AND COLLECTION OF TAXES

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. Taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran, are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

CITY’S RIGHTS IN THE EVENT OF TAX DELINQUENCIES

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser’s deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF PROPERTY TAX CODE

The City does not grant a local option exemption of the market value of all residence homesteads.

The City does grant a local option exemption of the market value of the residence homestead of persons 65 years of age or older.

The City does not grant a local option freeze on taxes for persons 65 years of age or older or disabled persons.

The City does not permit split payments, and discounts are not allowed. The City does not tax Freeport Property.

The City does not tax Goods-in-Transit.

The City does not offer tax abatements.

The City does not participate in a TIRZ.

The City does participate in Chapter 380 agreements (see “Appendix C - Excerpts from the City’s Annual Financial Report for Fiscal Year Ending September 30, 2025 – Notes to Financial Statements - Note IV-H” for detailed information).

DEVELOPER AGREEMENT/MUNICIPAL UTILITY DISTRICT CONTRACTS

The City has entered into multiple developer agreements (the “Agreements”) and related utility agreements with several municipal utility districts (the “MUDs”), created by the developers, whose boundaries overlap the boundaries of the City. The MUDs construct water, sanitary sewer, public streets, and drainage facilities to serve the areas within the MUDs and issue bonds to finance such facilities. The MUDs release their security interests in the facilities to the City, and the City operates and maintains the systems via contracted third parties.

The City’s original Agreements with the MUDs stated that the City is to rebate to the MUDs all property tax revenue collected by the City within each MUD in excess of \$0.10 per \$100 taxable assessed valuation of the City's ad valorem tax rate. On July 16, 2019, all Agreements for tax rebate payments (referred to in the amended Agreements as the "Annual Payment") were amended to be calculated on a percentage of the City's total ad valorem property tax rate. The Annual Payment required to be made by the City to each MUD is equal to such MUD's taxable assessed valuation multiplied by the applicable percentage of the City's ad valorem tax.

The rebate percentage is as follows:

Property Tax Rate Per \$100 of Assessed Value	Tax Rebate Percentage
\$0.219999 or less	0.06251%
\$0.22 - \$0.239999	0.07%
\$0.24 - \$0.259999	0.08%
\$0.26 - \$0.279999	0.09%
\$0.28 - \$0.299999	0.10%
\$0.30 or higher	0.11%

The City represented in the Agreements that its obligation to pay the Annual Payments due under the Agreements constitutes a "debt" of the City within the meaning of Article 11, Section 5, of the Texas Constitution and Section 26.012(7) of the Texas Tax Code. The City further represented that, pursuant to Section 552.014(c) of the Texas Local Government Code, it has the legal authority to annually levy an ad valorem tax to pay the Annual Payments due under the Agreements. Beginning with the City's 2019/2020 fiscal year, the City agreed to adopt and levy an interest and sinking tax rate sufficient to make the Annual Payments.

The Agreements provide that all Annual Payments received by a MUD from the City are required to be deposited by such MUD into a debt service fund of the MUD and allocated only to the payment of debt service that is due on unlimited tax bonds issued by such MUD to fund its water system, sanitary wastewater system, and drainage system. The schedule below shows the MUDs with active Agreements that currently receive Annual Payments from the City, the final year each Agreement term ends, and the amount of the Annual Payment received by each MUD during the last two fiscal years of the City:

Entity	Final Year of Agreement Term*	Fiscal Year 2025 Expenditures	Fiscal Year 2024 Expenditures
Fulshear MUD No. 1	2048	\$ 370,812	\$ 220,557
Fort Bend County MUD No. 169	2055	163,318	-
Fort Bend County MUD No. 170	2045	603,283	296,315
Fort Bend County MUD No. 171	2040	364,030	231,560
Fort Bend County MUD No. 172	2044	716,860	502,351
Fort Bend County MUD No. 173	2047	536,728	243,733
		\$ 2,755,031	\$ 1,494,516

* The City is not required to pay the Annual Payment to a MUD once the MUD no longer owes any debt service on its outstanding unlimited tax bonds.

FINANCIAL POLICIES

Basis of Accounting . . . Budgets for the General, and Debt Service funds are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). The budgetary basis of accounting is different than the basis of accounting for auditing purposes. The City does not budget for all component units that are accounted for in the Annual Financial Report.

General Fund . . . The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund . . . The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Proprietary Fund . . . The City maintains one type of proprietary fund. Proprietary funds are used to report the same functions presented as business type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer utility.

Budgetary Procedures . . . The budget process starts many months before the adoption of the annual budget. In the month of May or June each year, the departments submit their budgetary needs to the City Manager. On or before the first day of August each year, the City Manager is required to submit a budget to the City Council for the ensuing fiscal year with an accompanying message. The budget and all supporting schedules must be filed with the City Secretary when submitted to the City Council and open for public inspection.

The City Council must analyze the budget, making any additions or deletions that they feel appropriate and must, at least ten days prior to the beginning of the next fiscal year, adopt the budget. On final adoption by the City Council, the budget takes effect for the next fiscal year.

Adoption of the budget constitutes adoption of an ordinance appropriating the amounts specified as proposed expenditures and an ordinance levying the property tax as the amount of the tax to be assessed and collected for the corresponding tax year. A separate ordinance is adopted to set the tax rate. Estimated expenditures cannot exceed available resources. Unused appropriations may be transferred to any item required for the same general purpose, except when otherwise specified by the City's charter or State law. Under conditions which may arise and which could not reasonably have been foreseen in the normal process of planning the budget, the City Council may amend or change the budget to provide for any additional expense in which the general welfare of the citizenry is involved. These amendments must be by ordinance, and become an attachment to the original budget.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the City. Both state law and the City's investment policies are subject to change.

LEGAL INVESTMENTS

Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "PFIA"), (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the Bonds of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the Bonds of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating

agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with City funds, and a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City 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." At least quarterly, the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City on the date of the report, (2) be prepared jointly by all investment officers of the City, (3) be signed by each investment officer of the City, (4) contain a summary statement, prepared in compliance with generally accepted accounting principles, of each pooled fund group that states the: (a) beginning market value for the reporting period, (b) additions and changes to the market value during the period, (c) ending market value for the period, and (d) fully accrued interest for the reporting period, (5) state the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested, (6) state the maturity date of each separately invested asset that has a maturity date, (7) state the account or fund or pooled group fund of the City for which each individual investment was acquired, and (8) state the compliance of the investment portfolio of the City as it related to (a) the investment strategy expressed in the City's investment policy, and (b) Texas law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS

Under Texas law, the City is additionally required to (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers

with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization (i) is dependent on an analysis of the makeup of the City's entire portfolio, (ii) requires an interpretation of subjective investment standards, or (iii) relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

See Appendix A for a description of the City's current investments.

PENSION PLANS AND RETIREMENT FUND

All qualified employees of the City are members of the Texas Municipal Retirement System. Covered employees of the City contribute 7% of gross covered salary. The City's contribution is determined annually by actuarial study as a percent of gross covered payroll. For the calendar year 2025, the rate was 7.02%. For additional information, refer to the notes to the Combined Financial Statements for the year ended September 30, 2025, in Appendix C herein.

TAX MATTERS

OPINION

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton, L.L.P., Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix D -- Form of Bond Counsel's Opinion.

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City's federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the City with the comments and requirements described in the preceding paragraph, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Bonds or the property financed with proceeds of the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the Issuer that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of

Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the owners of the Bonds may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments made thereon. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bond and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bond.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT BONDS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporations' "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

INFORMATION REPORTING AND BACKUP WITHHOLDING

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

FUTURE AND PROPOSED LEGISLATION

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

OTHER INFORMATION

WEATHER EVENTS

The City is located in proximity to the Texas Gulf Coast and has been and could again be impacted by high winds, heavy rains, and flooding caused by hurricane, tornado, tropical storm, or other adverse weather events. In the event that a natural disaster should damage or destroy improvements and personal property in the City, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the assessed taxable value of the City and an increase in the City's tax rates. See "TAX INFORMATION – Valuation of Taxable Property" and "TAX INFORMATION – Temporary Exemption for Qualified Property Damaged by a Disaster." There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the City that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the City would be adversely affected. There can be no assurance the City will not sustain damage from meteorological events.

CYBERSECURITY RISKS

The City, like other municipalities in the State, utilizes technology in conducting its operations. As a user of technology, the City potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the City may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the City. The City employs a multi-layered approach to combating cybersecurity threats. While the City deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts, cybersecurity breaches could cause material disruptions to the City's finances or operations. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial. Further, cybersecurity breaches could expose the City to litigation and other legal risks, which could cause the City to incur other costs related to such legal claims or proceedings.

RATING

The Bonds and presently outstanding tax supported debt of the City are rated "AA+" by S&P Global Ratings, a Standard and Poor's Financial Services LLC business ("S&P") without regard to credit enhancement. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LEGAL OPINIONS

The Bonds are offered when, as and if issued, subject to the approval by the Attorney General of the State and the rendering of an opinion by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Bond Counsel for the City, in substantially the form attached hereto as APPENDIX D. The City will furnish the Initial Purchaser with a complete transcript of proceedings held incident to the authorization and issuance of the Bonds, including the approving opinion of the Attorney General of the State of Texas as recorded in the Certificate Register of the Comptroller of Public Accounts of the State, to the effect that the Bonds are valid and legally binding obligations of the City under the Constitution and laws of the State. The City will also furnish the approving legal opinion of Bond Counsel in substantially the form attached hereto as APPENDIX D.

In its capacity as Bond Counsel, McCall, Parkhurst & Horton L.L.P., Houston, Texas, has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. Bond Counsel's role in connection with the Official Statement was limited to reviewing the information describing the Bonds in the Official Statement to verify that such descriptions conform to the provisions of the Ordinance. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein. Certain legal matters will be passed on for the City by McCall, Parkhurst & Horton L.L.P. as Special Disclosure Counsel. The legal fee to be paid to Bond Counsel and Special Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

LITIGATION

In the opinion of various officials of the City, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the City in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the City.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Texas Public Funds Investment Act, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "Other Information - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

REGISTRATION, SALE AND DISTRIBUTION

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Bonds under the securities

laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

AUDITED FINANCIAL STATEMENTS

Crowe, LLP, the City's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of Crowe, LLP, relating to City's financial statements for the fiscal year ended September 30, 2025 is included in this Official Statement in APPENDIX A; however, Crowe, LLP, has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the City, including without limitation any of the information contained in this Official Statement, and has not been asked to consent to the inclusion of its report, or otherwise be associated with this Official Statement.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the City will furnish a Certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in this Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of the Bonds and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in this Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

AUTHENTICITY OF FINANCIAL INFORMATION

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

NO-LITIGATION CERTIFICATE

The City will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by an appropriate official of the City, to the effect that no litigation of any nature is then pending or threatened in any court, restraining or enjoining the issuance or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceeding for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds.

FORWARD LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date thereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement while it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB") via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information."

ANNUAL REPORTS

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in Appendix A of this Official Statement under Tables 1 through 4A and 6 through 13, and in Appendix C. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2026.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by United States Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time, and will provide audited financial statements when and if an audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix C or such other accounting principles as the City may be required to employ from time to time pursuant to State law.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day of March in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS

The City also will provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten (10) business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional paying agent/registrant or change of name of the paying agent/registrant, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the City, any of which reflect financial difficulties.

For these purposes, any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under the state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. For the purposes of the above describe event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

NOTICE OF FAILURE TO TIMELY FILE

The City also will notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with the provisions described above.

AVAILABILITY OF INFORMATION

All information and documentation filings required to be made by the City will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings is provided, without charge to the general public, by the MSRB through its EMMA system at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS

The City has agreed to update information and to provide notices of significant events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of the Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The continuing disclosure agreement may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. The City may also amend or repeal the provisions of the continuing disclosure agreement if the United States Securities and Exchange Commission amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds. If the City so amends the provisions of either of the agreements described above, it shall include with any financial information or operating data next provided in accordance with such agreement an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS

Since its first issuance of Certificates of Obligation in 2022, the City has complied in all material respects with its continuing disclosure agreements made in accordance with SEC Rule 15c2-12, except that the City did not timely file its audited financial statements and related operating data for the 2024 fiscal year on March 31, 2025. The City filed such financial statements and related operating data on May 30, 2025 and in connection with such late filing, filed a material event notice of failure to timely file on June 10, 2025.

MUNICIPAL ADVISOR

Masterson Advisors LLC is employed as Municipal Advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Masterson Advisors LLC, in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Municipal Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER

INITIAL PURCHASER

After requesting competitive bids for the Bonds, the City accepted the bid of _____ (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover of this Official Statement at a purchase price of _____ % of par. The initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser. The City has no control over the price at which the Bonds are subsequently sold. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser.

APPENDIX A

FINANCIAL INFORMATION REGARDING
THE CITY OF FULSHEAR, TEXAS

**FINANCIAL INFORMATION REGARDING THE
CITY OF FULSHEAR, TEXAS**

TABLE 1 – VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT

2025/26 Market Valuation Established by Fort Bend Central Appraisal District (Net of Totally Exempt Property)	\$ 6,236,719,605
Less: Exemptions/Reductions at 100% Market Value	
Veterans Exemption	\$ 115,925,379
10% Lost to Cap Adjustment	178,188,496
Over 65/Disabled	22,813,971
Productivity Loss	88,455,799
Local Homestead	601,570,473
Other	597,795
Total	\$ 1,007,551,913
2025/26 Net Taxable Assessed Valuation	\$ 5,229,167,692
General Obligation Debt Payable from Ad Valorem Taxes (as of December 31, 2025):	
Current Outstanding Debt Service	\$ 78,970,000
The Bonds*	13,500,000
Total General Obligation Debt Payable From Ad Valorem Taxes	\$ 92,470,000
Less: Self-Supporting General Obligation Debt ⁽¹⁾	78,970,000
Net General Obligation Debt Payable From Ad Valorem Taxes	\$ 13,500,000
Interest and Sinking Fund Balance (as of September 30, 2025)	\$ 1,861,004
Per Capita Net General Obligation Funded Debt	\$ 317
Per Capita Net Taxable Assessed Valuation	\$ 122,704
Ratio Total General Obligation Debt to 2025/26 Taxable Assessed Valuation	1.77%
Estimated 2026 Population	42,616

* Preliminary, subject to change.

(1) Excludes the Combination Tax and Revenue Certificates of Obligation, Series 2022 and Combination Tax and Revenue Certificates of Obligation, Series 2024 which are supported by the water and sewer system of the City. There is no guarantee that the Combination Tax and Revenue Certificates of Obligation, Series 2022 and Combination Tax and Revenue Certificates of Obligation, Series 2024 will be paid from these funds in the future.

TABLE 2 - TAXABLE ASSESSED VALUATION BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30 ⁽¹⁾ :					
	2026		2025		2024	
	Value	% of Total	Value	% of Total	Value	% of Total
Real, Residential, Single Family	\$5,347,185,579	85.74%	\$4,768,265,174	83.76%	\$4,308,895,672	86.52%
Real Residential, Multi-Family	232,141,638	3.72%	181,132,456	3.18%	132,748,405	2.67%
Real, Vacant Lots/Tracts	58,863,161	0.94%	63,843,361	1.12%	45,143,875	0.91%
Real, Acreage (Land Only)	89,034,058	1.43%	100,946,454	1.77%	106,262,212	2.13%
Real, Farm and Ranch Improvements	56,875,394	0.91%	73,403,695	1.29%	37,712,105	0.76%
Real, Commercial and Industrial	288,245,688	4.62%	273,515,269	4.80%	197,933,290	3.97%
Real, Tangible Personal, Utilities	17,320,772	0.28%	12,110,266	0.21%	13,195,612	0.26%
Tangible Personal, Commercial and Industrial	46,276,712	0.74%	45,006,451	0.79%	45,399,293	0.91%
Mobile Homes	2,518,218	0.04%	-	0.00%	-	0.00%
Tangible Personal Other	890,570	0.01%	868,509	0.02%	959,369	0.02%
Real Inventory	97,367,815	1.56%	173,775,161	3.05%	91,781,100	1.84%
Special Inventory	-	0.00%	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	\$6,236,719,605	100.00%	\$5,692,866,796	100.00%	\$4,980,030,933	100.00%
Less: Total Exemptions/ Reductions	(1,007,551,913)		(1,055,258,478)		(1,057,149,504)	
Taxable Assessed Value	<u>\$5,229,167,692</u>		<u>\$4,637,608,318</u>		<u>\$3,922,881,429</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30:			
	2023		2022	
	Value	% of Total	Value	% of Total
Real, Residential, Single Family	\$3,365,223,266	82.69%	\$2,301,685,762	80.10%
Real Residential, Multi-Family	58,716,076	1.44%	45,764,840	1.59%
Real, Vacant Lots/Tracts	72,160,160	1.77%	65,601,150	2.28%
Real, Acreage (Land Only)	115,823,900	2.85%	102,662,950	3.57%
Real, Farm and Ranch Improvements	61,579,860	1.51%	27,486,000	0.96%
Real, Commercial and Industrial	210,801,836	5.18%	183,038,705	6.37%
Real, Tangible Personal, Utilities	10,951,456	0.27%	8,702,480	0.30%
Tangible Personal, Commercial and Industrial	33,203,676	0.82%	33,062,350	1.15%
Mobile Homes	576,110	0.01%	273,970	0.01%
Tangible Personal Other	140,720,690	3.46%	105,211,050	3.66%
Real Inventory	-	0.00%	-	0.00%
Special Inventory	12,600	0.00%	-	0.00%
Total Appraised Value Before Exemptions	\$4,069,769,630	100.00%	\$2,873,489,257	100.00%
Less: Total Exemptions/ Reductions	(881,595,895)		(410,767,869)	
Taxable Assessed Value	<u>\$3,188,173,735</u>		<u>\$2,462,721,388</u>	

(1) Obtained from property tax reports provided by the Fort Bend Central Appraisal District and the State of Texas Comptroller of Public Accounts.

TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 30-Sep	Taxable Assessed Valuation	Percent Increase Over Prior Year	Outstanding Debt at End of Year ⁽¹⁾	Net Outstanding Tax Supported Debt at End of Year ⁽²⁾	Ratio of Direct Debt to Assessed Valuation
2021	\$2,142,332,440	20.70%	-	\$ -	0.00%
2022	2,462,721,388	14.96%	-	-	0.00%
2023	3,188,173,735	29.46%	36,530,000	-	1.15%
2024	3,922,881,429	23.04%	36,530,000	-	1.95%
2025	4,637,608,318	18.22%	79,605,000	-	1.65%
2026	5,229,167,692	12.76%	92,470,000	13,500,000	1.46%

(1) Preliminary, subject to change. Includes the Bonds.

(2) Preliminary, subject to change. After issuance of the Bonds. Excludes the Combination Tax and Revenue Certificates of Obligation, Series 2022 and Combination Tax and Revenue Certificates of Obligation, Series 2024 which are supported by the City's utility fund. There is no guarantee that the Combination Tax and Revenue Certificates of Obligation, Series 2022 and Combination Tax and Revenue Certificates of Obligation, Series 2024 will be paid from these funds in the future.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ending 9/30	General Fund	Interest and Sinking Fund	Total Tax Rate	Total Calculated Tax Levy	% Total Collections
2021	\$ 0.15282	\$ 0.05425	\$ 0.20707	\$ 4,436,128	99.78%
2022	0.15264	0.05041	0.20305	5,000,580	99.88%
2023	0.13845	0.04212	0.18057	5,756,949	99.83%
2024	0.12717	0.04159	0.16877	6,620,529	99.74%
2025	0.12161	0.04025	0.16186	7,506,247	99.55%
2026	0.11652	0.05138	0.16790	8,779,929	(1)

(1) In process of collection. Taxes for the 2025 tax year were due by January 31, 2026.

TABLE 4A -BREAKDOWN OF I&S FUND TAX RATE SUPPORTED OBLIGATIONS

Fiscal Year Ending 9/30	Interest and Sinking Fund Tax Rate	Total Calculated Tax Levy	Obligations Supported by the Interest and Sinking Fund Tax Rate				% Total Collections
			Total MUD Agreement Payments	Texas Heritage Parkway Payment	Net Tax Supported Debt Service	Total Obligations	
2021	\$ 0.05425	\$ 1,162,237	\$ 1,148,254	\$ -	\$ -	\$ 1,148,254	99.78%
2022	0.05041	1,241,458	1,324,148	-	-	1,324,148	99.88%
2023	0.04212	1,342,891	1,633,584	-	-	1,633,584	99.83%
2024	0.04159	1,631,644	1,494,516	-	-	1,494,516	99.74%
2025	0.04025	1,866,637	2,755,031	-	-	2,755,031	99.55%
2026	0.05138	2,686,746	2,762,043 (1)	91,667	-	2,853,710	(2)

(1) Projected based on 2025 certified values. Subject to change.

(2) In process of collection. Taxes for the 2025 tax year were due by January 31, 2026.

TABLE 5 - OVERLAPPING DEBT STATEMENT

Taxing Body	Gross Debt	As of	Percent Overlapping	Amount Overlapping
Fort Bend County.....	\$ 1,235,264,389	2/28/2026	3.32%	\$ 41,010,778
Fort Bend County Drainage District.....	21,645,000	2/28/2026	3.32%	718,614
Fort Bend Co MUD #169.....	60,251,396	2/28/2026	100.00%	60,251,396
Fort Bend Co MUD #170.....	75,120,473	2/28/2026	100.00%	75,120,473
Fort Bend Co MUD #171.....	35,549,467	2/28/2026	100.00%	35,549,467
Fort Bend Co MUD #172.....	77,976,579	2/28/2026	100.00%	77,976,579
Fort Bend Co MUD #173.....	52,242,085	2/28/2026	100.00%	52,242,085
Fort Bend Co MUD #175.....	26,905,000	2/28/2026	100.00%	26,905,000
Fort Bend Co MUD # 245.....	10,240,000	2/28/2026	100.00%	10,240,000
Fulshear MUD #1.....	74,940,000	2/28/2026	100.00%	74,940,000
Fulshear MUD #2.....	24,610,000	2/28/2026	100.00%	24,610,000
Katy ISD.....	2,514,530,000	2/28/2026	3.43%	86,248,379
Lamar CISD.....	3,023,560,000	2/28/2026	6.40%	193,507,840
Total Estimated Overlapping Debt.....				\$ 759,320,611
 The City.....	 92,470,000	 Current	 100.00%	 92,470,000 ⁽¹⁾
Total Direct and Estimated Overlapping Debt...				\$ 851,790,611
 Ratio of Estimated Direct and Overlapping Debt to 2025 Certified Taxable Assessed Valuation.....				16.29%
Ratio of Estimated Direct and Overlapping Debt to 2025 Appraised Market Value.....				13.66%
Per Capita Direct and Overlapping Debt.....				\$ 19,988

(1) Preliminary, subject to change. Includes the Bonds.

TABLE 6 – TEN LARGEST TAXPAYERS

Name of Taxpayer	2025/2026 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
CCR 21 LLC	\$ 68,921,761	1.32%
Broadstone Cross Creek Owner LP	57,397,341	1.10%
Greenhouse 15, LLC	42,905,788	0.82%
VR Cross Creek Ranch LP	32,755,292	0.63%
Alders at Cross Creek Property LLC	27,049,470	0.52%
HEB Grocery Company LP	23,661,530	0.45%
Pulte Homes of Texas LP	12,347,364	0.24%
Cross Creek Shoppes LLC	11,031,662	0.21%
Securcare Moveit Mcallen LLC	10,905,655	0.21%
Centerpoint Energy Electric	10,843,600	0.21%
	\$ 297,819,463	5.70%

Source: Fort Bend Central Appraisal District.

TABLE 7 - OTHER OBLIGATIONS

On June 18, 2021, the City issued a note payable (the "Note") in the amount of \$8,900,000 to help finance the purchase and remodel of facilities for the future City hall. The Note carries an interest rate of 3.25% for the first ten years and is for the total term of thirty years. The City makes monthly installments on the Note, which will be payable in full in June of 2051.

Fiscal Year Ended 30-Sep	Total Principal Due	Total Interest Due	Total Due
2026	\$ 204,394	\$ 260,406	\$ 464,800
2027	211,136	253,663	464,799
2028	218,103	246,697	464,800
2029	225,297	239,502	464,799
2030	232,732	232,067	464,799
2031 - 2035	1,284,940	1,039,062	2,324,002
2036 - 2040	1,511,333	812,669	2,324,002
2041 - 2045	1,777,615	546,387	2,324,002
2046 - 2050	2,090,813	233,189	2,324,002
2051	353,562	4,674	358,236
Total	\$ 8,109,925	\$ 3,868,316	\$ 11,978,241

TABLE 8 - PRO-FORMA OUTSTANDING GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 30-Sep	Current Outstanding Debt Service	The Bonds			Less: Self-Supporting Debt Service ⁽¹⁾	Net Tax Supported Debt Service
		Principal*	Interest	Total		
2026	\$ 5,190,831				\$ 5,190,831	
2027	5,189,331	\$ 250,000	\$ 630,015	\$ 880,015	5,189,331	\$ 880,015.28
2028	5,189,081	230,000	654,575	884,575	5,189,081	884,575.00
2029	5,189,831	240,000	643,075	883,075	5,189,831	883,075.00
2030	5,191,331	250,000	631,075	881,075	5,191,331	881,075.00
2031	5,188,331	265,000	618,575	883,575	5,188,331	883,575.00
2032	5,190,831	275,000	605,325	880,325	5,190,831	880,325.00
2033	5,193,331	295,000	591,575	886,575	5,193,331	886,575.00
2034	5,190,581	310,000	576,825	886,825	5,190,581	886,825.00
2035	5,192,581	320,000	561,325	881,325	5,192,581	881,325.00
2036	5,188,831	340,000	545,325	885,325	5,188,831	885,325.00
2037	5,189,331	350,000	528,325	878,325	5,189,331	878,325.00
2038	5,193,581	370,000	510,825	880,825	5,193,581	880,825.00
2039	5,188,081	390,000	492,325	882,325	5,188,081	882,325.00
2040	5,190,475	410,000	472,825	882,825	5,190,475	882,825.00
2041	5,191,700	435,000	452,325	887,325	5,191,700	887,325.00
2042	5,190,975	455,000	430,575	885,575	5,190,975	885,575.00
2043	5,191,588	475,000	407,825	882,825	5,191,588	882,825.00
2044	5,189,950	495,000	385,856	880,856	5,189,950	880,856.25
2045	5,191,113	520,000	362,344	882,344	5,191,113	882,343.75
2046	5,189,675	545,000	337,644	882,644	5,189,675	882,643.75
2047	5,190,375	570,000	311,756	881,756	5,190,375	881,756.25
2048	5,187,750	595,000	283,969	878,969	5,187,750	878,968.75
2049	5,190,825	630,000	254,963	884,963	5,190,825	884,962.50
2050	5,186,050	660,000	224,250	884,250	5,186,050	884,250.00
2051	5,188,450	690,000	191,250	881,250	5,188,450	881,250.00
2052	2,326,188	730,000	156,750	886,750	2,326,188	886,750.00
2053	-	760,000	120,250	880,250	-	880,250.00
2054	-	805,000	82,250	887,250	-	887,250.00
2055	-	840,000	42,000	882,000	-	882,000.00
	\$ 137,271,000	\$ 13,500,000	\$ 12,105,997	\$ 25,605,997	\$ 137,271,000	\$ 25,605,996.53

* Preliminary, subject to change. Interest calculated at an assumed rate for purposes of illustration only.

(1) Includes the Combination Tax and Revenue Certificates of Obligation, Series 2022 and Combination Tax and Revenue Certificates of Obligation, Series 2024 which are supported by the City's utility fund. There is no guarantee that the Combination Tax and Revenue Certificates of Obligation, Series 2022 and Combination Tax and Revenue Certificates of Obligation, Series 2024 will be paid by these funds in the future.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS: After issuance of the Bonds, the City will have no voter-authorized but unissued general obligation bonds.

TABLE 9 - TAX ADEQUACY FOR GENERAL OBLIGATION DEBT

2025/26 Taxable Assessed Valuation (less exemptions)	5,229,167,692
Gross Debt	
<hr/>	
Indicated Debt Service Interest and Sinking Fund Tax Rate	\$0.11870
Maximum Gross Debt Service (2033)	6,079,906 *
Debt Service Indicated Interest and Sinking Fund Tax Levy Estimated 98% Tax Collections	6,082,882
Net Debt	
<hr/>	
Indicated Net Debt Interest and Sinking Fund Tax Rate	\$0.01740
Maximum Net Debt Service (2041) ⁽¹⁾	887,325 *
Net Debt Service Indicated Interest and Sinking Fund Tax Levy Estimated 98% Tax Collections	891,678

* Preliminary, subject to change. Includes the Bonds.

(1) Excludes the Combination Tax and Revenue Certificates of Obligation, Series 2022 and Combination Tax and Revenue Certificates of Obligation, Series 2024 which are supported by the City's utility fund. There is no guarantee that the Combination Tax and Revenue Certificates of Obligation, Series 2022 and Combination Tax and Revenue Certificates of Obligation, Series 2024 will be paid by these funds in the future.

TABLE 10 - GENERAL FUND REVENUES AND EXPENDITURES

	Fiscal Years Ended September 30:				
	2025	2024	2023	2022	2021
<u>Revenues:</u>					
Taxes	\$ 12,032,430	\$ 11,730,833	\$ 10,414,561	\$ 9,079,381	\$ 7,911,122
Fees	1,697,949	484,127	482,722	818,751	1,084,891
Licenses and Permits	2,789,153	2,692,701	2,943,405	3,436,221	3,284,590
Intergovernmental	744,524	4,101,369	414,685	562,884	891,881
Charges for Services	1,843,971	1,835,713	1,661,987	2,129,384	2,884,649
Fines and Forfeitures	779,961	658,986	642,096	498,361	313,289
Investment Earnings	427,356	570,565	628,956	(178,956)	22,346
Other Revenues	39,094	72,900	37,798	10,901	32,635
Total Revenues	<u>\$ 20,354,438</u>	<u>\$ 22,147,194</u>	<u>\$ 17,226,210</u>	<u>\$ 16,356,927</u>	<u>\$ 16,425,403</u>
<u>Expenditures:</u>					
General Government	\$ 8,921,555	\$ 6,759,145	\$ 6,181,865	\$ 5,390,813	\$ 4,196,323
Permits and Inspections	1,185,845	1,107,082	899,447	943,399	1,624,519
Public Safety	4,837,732	4,348,047	3,672,206	3,237,376	3,468,487
Public Works	3,599,209	3,076,957	2,402,946	2,200,245	3,146,114
Planning and Development	179,741	98,032	163,462	309,457	166,260
Debt Service	464,800	464,800	1,193,168	464,801	116,200
Capital Outlay	400,217	229,634	188,778	148,423	13,049,189
Total Expenditures	<u>\$ 19,589,099</u>	<u>\$ 16,083,697</u>	<u>\$ 14,701,872</u>	<u>\$ 12,694,514</u>	<u>\$ 25,767,092</u>
Excess/(Deficiency) of Revenues					
Over Expenditures	\$ 765,339	\$ 6,063,497	\$ 2,524,338	\$ 3,662,413	\$ (9,341,689)
<u>Other Financing Sources/Uses:</u>					
Sale of Assets	\$ -	\$ -	\$ -	\$ 1,600,100	\$ -
Loan Proceeds	-	-	-	-	8,900,000
Operating Transfers In	5,660,747	3,499,447	2,002,569	1,016,018	1,179,724
Operating Transfers Out	(350,000)	(6,454,507)	(466,000)	(6,000,000)	-
Total Other Financing Sources/Uses	<u>\$ 5,310,747</u>	<u>\$ (2,955,060)</u>	<u>\$ 1,536,569</u>	<u>\$ (3,383,882)</u>	<u>\$ 10,079,724</u>
Beginning Fund Balance	\$ 14,915,582	\$ 11,807,145	\$ 7,746,238	\$ 7,467,707	\$ 6,729,672
Ending Fund Balance - Sept. 30	<u>\$ 20,991,668</u>	<u>\$ 14,915,582</u>	<u>\$ 11,807,145</u>	<u>\$ 7,746,238</u>	<u>\$ 7,467,707</u>

Source: City's Audited Financial Statements for the Fiscal Years Ended September 30, 2021-2025.

TABLE 11 - CURRENT INVESTMENTS

Investment Description	Total Invested	Percent
Certificates of Deposit	\$ 250,403	0.23%
Municipal and State Bonds	3,497,505	3.22%
Money Market Fund	14,163	0.01%
TexPool	46,873,381	43.11%
Texas CLASS	58,103,528	53.43%
Total	\$ 108,738,980	100.00%

Source: City's Audited Financial Statements for the Fiscal Year Ended September 30, 2025.

TABLE 12 - WATERWORKS AND WASTEWATER SYSTEM FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30:				
	2025	2024	2023	2022	2021
<u>Operating Revenues:</u>					
Charges for Sales and Services	\$ 25,104,799	\$ 21,113,616	\$ 17,054,281	\$ 14,163,554	\$ 12,351,533
Other Revenues	154,855	173,689	119,796	150,417	187,945
Total Revenues	<u>\$ 25,259,654</u>	<u>\$ 21,287,305</u>	<u>\$ 17,174,077</u>	<u>\$ 14,313,971</u>	<u>\$ 12,539,478</u>
<u>Operating Expenses:</u>					
Supplies	\$ 592,235	\$ 366,707	\$ 363,998	\$ 232,090	\$ 162,180
Contractual Services	6,478,024	6,013,093	4,402,054	3,186,573	1,749,274
Utilities	990,753	757,165	541,630	510,077	464,337
Repairs and Maintenance	1,107,690	1,211,688	1,407,513	2,060,579	1,268,365
Other Operating Expenses	8,716,789	7,106,871	7,235,417	5,940,795	4,402,592
Depreciation	3,438,451	4,594,060	2,880,356	2,598,129	2,277,231
Total Expenditures	<u>\$ 21,323,942</u>	<u>\$ 20,049,584</u>	<u>\$ 16,830,968</u>	<u>\$ 14,528,243</u>	<u>\$ 10,323,979</u>
Excess/(Deficiency) of Revenues Over Expenditures	\$ 3,935,712	\$ 1,237,721	\$ 343,109	\$ (214,272)	\$ 2,215,499
<u>Nonoperating Revenues:</u>					
Investment Earnings	\$ 4,386,284	\$ 3,140,468	\$ 2,022,594	\$ 75,388	\$ 22,516
Miscellaneous Revenues	(2,970,240)	(1,702,662)	(391,956)	-	-
Total Nonoperating Revenues	<u>\$ 1,416,044</u>	<u>\$ 1,437,806</u>	<u>\$ 1,630,638</u>	<u>\$ 75,388</u>	<u>\$ 22,516</u>
<u>Contributions and Transfers:</u>					
Capital Contributions	\$ 9,965,997	\$ 5,912,778	\$ 10,587,744	\$ 7,427,059	\$ 10,237,389
Transfers In	-	3,454,507	-	-	200,000
Transfers Out	(5,060,747)	(3,499,447)	(1,702,569)	(1,141,018)	(1,304,724)
Total Contributions and Transfers	<u>\$ 4,905,250</u>	<u>\$ 5,867,838</u>	<u>\$ 8,885,175</u>	<u>\$ 6,286,041</u>	<u>\$ 9,132,665</u>
Beginning Fund Balance	\$ 114,169,064	\$ 105,625,699	\$ 94,766,777	\$ 88,619,620	\$ 77,248,940
Ending Fund Balance	<u>\$ 124,426,070</u>	<u>\$ 114,169,064</u>	<u>\$ 105,625,699</u>	<u>\$ 94,766,777</u>	<u>\$ 88,619,620</u>

Source: City's Comprehensive Annual Financial Report for Fiscal Years Ended September 30, 2021 - 2025.

TABLE 13 – INTEREST AND SINKING FUND BUDGET PROJECTIONS

Obligations Supported by the Interest and Sinking Fund Tax Rate, 9/30/2025		\$ 2,755,031
Interest and Sinking Fund, 9/30/2025	\$ 1,861,004	
Budgeted Property Tax Collection	\$ 2,686,746	
Budgeted Interest Earnings	1,214,106	5,761,856
Estimated Interest and Sinking Fund Balance, 9/30/2026	<u> </u>	<u>\$ 3,006,825</u>

APPENDIX B

GENERAL INFORMATION REGARDING THE CITY

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**GENERAL INFORMATION REGARDING
THE CITY OF FULSHEAR, TEXAS**

LOCATION

The City of Fulshear is located 30 miles west of downtown Houston on Westpark Tollway in north Fort Bend County. This location places the City within the Houston Metropolitan Statistical area, 7 miles south of the City of Katy and 15 miles east of the City of Wallis, and approximately 70 miles from the Texas Gulf Coast.

POPULATION

Year	City of Fulshear	Fort Bend County
2020	16,856	858,902
2010	1,134	585,375
2000	716	354,452

LOCAL ECONOMY

Fulshear has a highly educated, affluent demographic, with nearly 74.8% of the population holding a bachelor’s degree or higher and earning a median household income of \$187,035. The largest revenue sources in the General Fund are property tax, sales tax and building fees. These are all driven and sustained by continued growth of commercial and residential construction. The City has experienced significant commercial and retail growth over the last several years.

Fort Bend County	2025	2024	2023	2022	2021
Labor Force	482,857	475,223	432,297	419,630	407,603
Employed	461,663	455,420	415,144	401,363	383,362
Unemployed	21,194	19,803	17,153	18,267	24,241
Unemployed Rate	4.39%	4.17%	3.97%	4.40%	5.90%

State of Texas	2025	2024	2023	2022	2021
Labor Force	16,038,665	15,758,856	15,067,153	14,601,731	14,220,446
Employed	15,361,936	15,115,304	14,472,524	13,971,714	13,413,036
Unemployed	676,729	643,552	594,629	630,017	807,410
Unemployed Rate	4.22%	4.08%	3.95%	4.30%	5.70%

MAJOR EMPLOYERS WITHIN THE CITY LIMITS

Employer	Industry	Number of Employees
Katy ISD	Public Education	650
Lamar Consolidated ISD	Public Education	564
HEB #65	Retail	490
Local Table	Dining	105
City of Fulshear	Government	82
Emergency Services District #4	Emergency Services	74
Molina's Cantina	Dining	61
Saltgrass Steakhouse	Dining	56
Orleans Seafood	Dining	52
Pier 36	Dining	43

Source: City of Fulshear Audited Financial Statements

APPENDIX C

EXCERPTS FROM THE
CITY OF FULSHEAR, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2025

The information contained in this Appendix consists of excerpts from the City of Fulshear, Texas Annual Financial Report for the Year Ended September 30, 2025, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

CITY OF FULSHEAR, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
Year Ended September 30, 2025



CITY OF FULSHEAR, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the year ended September 30, 2025

Prepared by
Finance Department

Michael Mahoney
Interim Director of Finance

CITY OF FULSHEAR, TEXAS
 ANNUAL COMPREHENSIVE FINANCIAL REPORT
 For the year ended September 30, 2025

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CITY OF FULSHEAR, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the year ended September 30, 2025

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INTRODUCTORY SECTION



CITY OF FULSHEAR

PO Box 279
Fulshear, Texas 77441
www.fulsheartexas.gov

March 11, 2026

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Fulshear, Texas:

It is with great pleasure that we present to you a copy of the Annual Comprehensive Financial Report (ACFR) of the City of Fulshear, Texas (the City) for the fiscal year ended September 30, 2025. The responsibility for both the accuracy of the presented information and the completeness and fairness of the presentation of the data, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the results of operations of the various funds of the City, as well as the fund balances. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's financial statements have been audited by Crowe, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of the fiscal year ended September 30, 2025, are free of material misstatement.

The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2025, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

MD&A immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter and should be read in conjunction with it.

Profile of the Government

The City, incorporated on November 7, 1977, is located in northern Fort Bend County west of Houston, Texas, in a rapidly growing area of the County. The City currently occupies a land area of 14 square miles and serves an estimated population of 42,616. The City of Fulshear is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs when deemed appropriate by the governing council.

The City has operated under the Council-manager form of government since December 2015. Policy-making and legislative authority are vested in a governing council consisting of the Mayor and seven (7) Council members, two (2) of which shall be elected at large by majority vote, and five (5) of which shall be elected by majority vote of a single-member district in which they must reside. The governing council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and Municipal Judge. The City Manager is responsible for carrying out the policies and ordinances of the governing Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments.

The City provides a full range of services, including police protection, public improvements, sanitation, repair and maintenance of infrastructure, recreation and general administrative services. As an independent political subdivision of the State of Texas governed by an elected Mayor and seven (7) Council members, the City is considered a primary government. In accordance with standards established by the Governmental Accounting Standards Board, the City reports all funds for which the City, as the primary government, is accountable.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the Finance Department. These requests serve as a starting point for developing the proposed budget. The Finance Department provides the information to the City Manager who then presents this proposed budget to the Council for review. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Department heads may make requests to the City Manager for transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and regional park fund, these comparisons are presented on pages 58 and 59, respectively, as part of required supplementary information. For nonmajor governmental funds, with appropriated annual budgets, this comparison is presented in the supplementary information subsection of this report, which starts on page 67.

Factors Affecting Financial Condition

The information presented in the financial statements is better understood when it is considered from the broader perspective of the specific environment within which the City of Fulshear operates.

Local Economy

The first hill west of Houston is located in the heart of Fulshear, which continues to be one of the fastest growing cities in Texas. According to the 2021 census data, Fulshear has a highly educated, affluent demographic, with nearly 72.60% of the population holding a bachelor's degree or higher and earning a median household income of \$170,602.

Taxable values for fiscal year 2025 reflect an increase of 15 percent to \$4.6 billion. This property value increase is the result of continued development within the City including both residential and commercial construction.

Sales tax revenues increased 15 percent during fiscal year 2025. At this writing, for fiscal year 2026, sales taxes are 3 percent higher than the first three months of fiscal year 2025. New residential and commercial development continues to increase in the City and the surrounding area.

Economic Outlook

The largest revenue sources in the General Fund are property tax, sales tax and building fees. These are all driven and sustained by continued growth of commercial and residential construction. The City has experienced significant commercial and retail growth over the last several years and expects the growth to continue based on preliminary development plans presented by various developers.

Building fee revenue for fiscal year 2025 continued to see a slight decrease of 5 percent from building fee revenue for fiscal year 2024. The revenue in both fiscal year 2024 and 2025 is more in line with revenue trends prior to COVID. Even with the slight decrease, the City still continues to see growth in both commercial and residential development resulting in a continued need for permits and inspections.

There is a continued increase in new residential development within the Fulshear Lakes, Fulshear Del Webb, Tamarron West, Cross Creek West, and Pecan Ridge developments. Cross Creek Ranch, Tamarron Proper, Fulbrook on Fulshear Creek, Polo Ranch, and Fulshear Run are either nearing complete buildout with a few remaining sections or are complete. Additionally, Canvas on Founders Hill, James Lane Estates, Fulshear Junction, and Belmont Estates will be adding an additional 147, +/- 35, 252, and 74 residential units respectively.

HEB and complementary commercial businesses continue to expand around Texas Heritage Parkway and Jordan Crossing Boulevard. Additionally, commercial developments are filling the gaps along FM 1093, specifically at Flewellen Place Lane and near the intersection of Texas Heritage Parkway and FM 1093 where Fulshear Crossing will be constructing office space, retail, and restaurants. Fulshear Gateway, located in Downtown Fulshear, is currently under construction and should be completed with the retail phase of the development in the spring of 2026. Fast food restaurants and other retail developments have expressed interest in developing along the FM 359 corridor to accommodate the major growth in the area such as CVS and McDonalds.

A major focus for Fulshear in 2026 will be the continued construction of educational facilities, cellular network infrastructure such as cell towers, and potential big box retail stores. Lamar CISD has closed on a property at the Southwest corner of James Lane and FM 1093 for the construction of an elementary school.

Additionally, there has been rapid movement from developers to begin developing property within the Downtown District, specifically along Dixon Road and along the soon-to-be completed Huggins Road. These developments will provide indoor and outdoor sports facilities and sports-related retail and services that will largely complement Primrose Park. Currently, a daycare and office space are planned along the Huggins Road extension.

Financial Information

The City's management team is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of the controls should not exceed the benefits likely to be derived and (2) the valuation of cost and benefits requires estimates and judgments to be made by management.

Budgeting Controls

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, Special Revenue Funds, Utility Fund, and Internal Service Funds are included in the annual operating budget. The City of Fulshear Development Corporation and the Fulshear Development Corporation, component units of the City, are budgeted separately but approved by the City Council as a component of the Annual Budget. A capital improvement plan is approved each year by the City Council and funded through a separate capital projects fund. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Debt Administration

In fiscal year 2025, the City issued no General Obligation Bonds. The City can issue General Obligation bonds that are approved by voters in a capital improvements plan. In November of 2022, the City issued \$37.5 million in revenue bonds and certificates of obligation to fund water and wastewater capital infrastructure projects. In October of 2024, the City issued \$45 million in revenue bonds and certificates of obligation to fund water and wastewater capital infrastructure projects. This is only the second time in the City's history that a bond rating was received, and debt issued. The City received a bond rating of AA+ from Standard and Poor's. This debt issuance is reflected in the fiscal year 2025 financial statements. The City does anticipate issuing a General Obligation Bond in Fiscal year 2026 for \$13 million to fund Primrose Park and park land acquisitions.

Lapse of Appropriations

Every appropriation, except an appropriation for a capital expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned.

Awards

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fulshear for its annual comprehensive financial report for the fiscal year ended September 30, 2024. This was the sixth consecutive year that the government has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The City has received the Distinguished Budget Presentation Award for the fiscal years beginning October 1, 2017, 2018, 2019, 2020, 2021, 2022, 2023 and most recently 2024 which is the eighth consecutive year that the City has submitted the annual budget for this award. The award is made to those cities whose budget presentations meet very stringent presentation guidelines. The budget document must be of the very highest quality that reflects both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's recommended practices on budgeting.

Acknowledgements

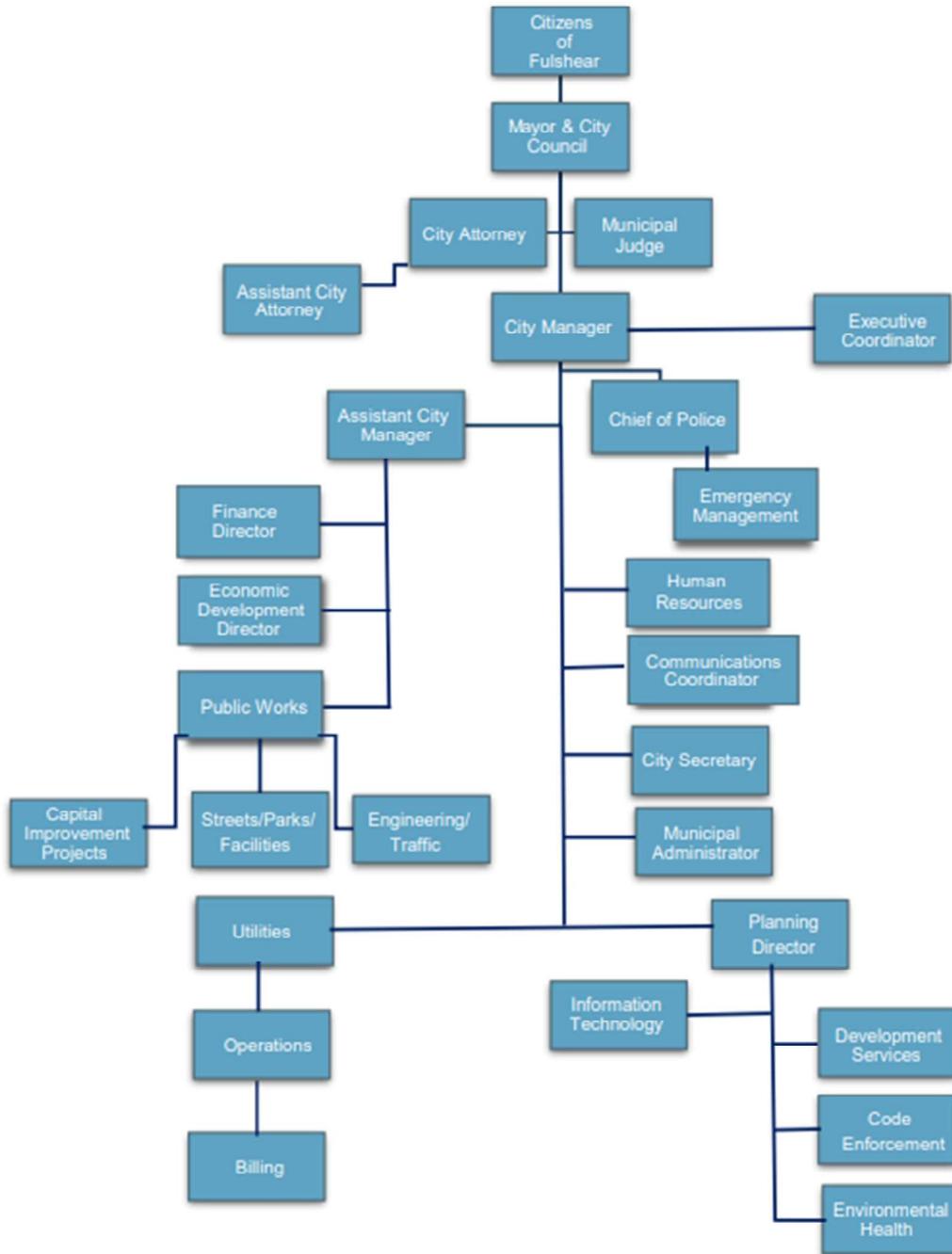
The preparation of this report would not have been possible without the efficient and dedicated services of the administrative staff of the City and the members of the Finance Department. We also would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Fulshear's finances.

Respectfully submitted,

Michael E. Mahoney

Michael Mahoney
Interim Director of Finance

CITY OF FULSHEAR, TEXAS
 ORGANIZATIONAL CHART
 September 30, 2025





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Fulshear
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2024

Christopher P. Morill

Executive Director/CEO

CITY OF FULSHEAR, TEXAS
LIST OF ELECTED AND APPOINTED OFFICIALS
For the year ended September 30, 2025

Elected Officials

Don McCoy
Patrick Powers
Sarah B. Johnson
Christina Baron
Jason Knape
Abhijeet Utturkar
Carmon Miller
Richard Russell

Position

Mayor
Council Member
Mayor Pro-Tem and Council Member
Council Member
Council Member
Council Member
Council Member
Council Member

Zach Goodlander
Kelsee Jordan Lee
Mariela Rodriguez
Erin Tureau

City Manager
Assistant City Manager
City Secretary
Director of Finance

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
City Council Members of the
City of Fulshear, Texas

Report on the Audit of the Financial Statements***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fulshear, Texas (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows 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 ("GAAS"). 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 City, 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 City'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.

(Continued)

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 GAAS 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 GAAS, 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 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 purposes of expressing an opinion on the effectiveness of the City'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 City'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, budgetary comparison information, schedules of changes in net pension liability and related ratios, and schedule of contributions, identified as Required Supplementary Information on the table of contents, 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.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and schedules are listed in the table of contents 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 combining statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Crowe LLP

Crowe LLP

Houston, Texas
March 11, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF FULSHEAR, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended September 30, 2025

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – The City's basic services are reported here including general government, permits and inspections, public safety, public works, and planning and development. Interest payments on the City's tax-supported debt are also reported here. Property tax, sales tax, franchise fees, municipal court fines, public improvement fees, sanitation and recycling fees, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water and wastewater services.

The government-wide financial statements include not only the City itself (known as the primary government), but also legally separate economic development corporations for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The City's two discretely presented component units consist of the Fulshear Development Corporation and the City of Fulshear Development Corporation.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 12 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, which is always considered to be major fund, and the regional park fund, which is considered a major fund for reporting purposes.

(Continued)

CITY OF FULSHEAR, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended September 30, 2025

The City adopts an annual appropriated budget for its general fund, regional park fund, Fort Bend County Assistant District #7 fund, municipal court technology fund, municipal court building security fund, judicial efficiency fund, child safety fund, police department donation fund, federal seizure fund, and state seizure fund. Budgetary comparison schedules have been provided for each fund to demonstrate compliance with these budgets.

Proprietary Funds: The City maintains two types of proprietary funds. An enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water distribution and wastewater collection/treatment operations. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

The City also uses an internal service fund to collect and allocate costs for vehicle and equipment replacement. This internal service fund has been included within governmental activities in the government-wide financial statements.

Notes to Financial Statements: The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information: In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund and schedule of changes in net pension liability and related ratios and schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$320,811,766 as of September 30, 2025 for the primary government. This compares with \$296,668,789 from the prior fiscal year. The largest portion of the City's net position, 87%, reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, construction in progress, and infrastructure), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

(Continued)

CITY OF FULSHEAR, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended September 30, 2025

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
ASSETS						
Current and other assets	\$ 40,460,623	\$ 33,643,429	\$ 73,741,641	\$ 38,128,310	\$ 114,202,264	\$ 71,771,739
Capital assets, net	167,556,490	158,676,030	142,282,505	121,856,366	309,838,995	280,532,396
Total assets	<u>208,017,113</u>	<u>192,319,459</u>	<u>216,024,146</u>	<u>159,984,676</u>	<u>424,041,259</u>	<u>352,304,135</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflow s - pensions/ OPEB	553,167	711,455	-	-	553,167	711,455
Total deferred outflow s of resources	<u>553,167</u>	<u>711,455</u>	<u>-</u>	<u>-</u>	<u>553,167</u>	<u>711,455</u>
LIABILITIES						
Long-term liabilities	8,526,699	8,968,595	84,427,216	37,914,397	92,953,915	46,882,992
Other liabilities	3,394,290	1,493,905	7,170,860	7,901,215	10,565,150	9,395,120
Total liabilities	<u>11,920,989</u>	<u>10,462,500</u>	<u>91,598,076</u>	<u>45,815,612</u>	<u>103,519,065</u>	<u>56,278,112</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflow s - pensions/ OPEB	263,595	68,689	-	-	263,595	68,689
Total deferred inflow s of resources	<u>263,595</u>	<u>68,689</u>	<u>-</u>	<u>-</u>	<u>263,595</u>	<u>68,689</u>
NET POSITION						
Net investment in capital assets	159,446,565	150,372,327	121,848,141	107,875,281	281,294,706	258,247,608
Restricted	8,291,855	10,553,566	431,172	886,537	8,723,027	11,440,103
Unrestricted	28,647,276	21,573,832	2,146,757	5,407,246	30,794,033	26,981,078
Total net position	<u>\$ 196,385,696</u>	<u>\$ 182,499,725</u>	<u>\$ 124,426,070</u>	<u>\$ 114,169,064</u>	<u>\$ 320,811,766</u>	<u>\$ 296,668,789</u>

A portion of the primary government's net position, \$8,723,027 or 3%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$30,794,033 or 10%, may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net position increased by \$24,142,977 during the current fiscal year, an increase of 8% in comparison to the prior year net position. Total current and other assets increased \$42,430,525 primarily due to proceeds from new bond issuance. Capital assets increased \$29,306,599 primarily due to increases in construction in progress and additions to the water and sewer system. Total liabilities increased \$47,240,953 primarily due to increases in new bond issuance to finance improvements to the City's water and wastewater system.

(Continued)

CITY OF FULSHEAR, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended September 30, 2025

Statement of Activities

The following table provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues						
Charges for services	\$ 6,077,998	\$ 5,742,050	\$ 25,104,799	\$ 21,287,305	\$ 31,182,797	\$ 27,029,355
Operating grants and contributions	2,561,639	7,783,641	186,847	-	2,748,486	7,783,641
Capital grants and contributions	8,254,315	13,228,579	9,965,997	5,912,778	18,220,312	19,141,357
General revenues						
Ad valorem taxes	7,464,349	6,666,132	-	-	7,464,349	6,666,132
Sales taxes	6,882,429	5,114,815	-	-	6,882,429	5,114,815
Franchise fees	1,108,781	1,009,306	-	-	1,108,781	1,009,306
Investment earnings	794,965	783,190	4,199,437	3,140,468	4,994,402	3,923,658
Other revenues	1,164,604	721,813	154,855	-	1,319,459	721,813
Total revenues	34,309,080	41,049,526	39,611,935	30,340,551	73,921,015	71,390,077
Expenses						
General government	9,283,907	7,946,178	-	-	9,283,907	7,946,178
Permits and inspections	1,194,838	1,107,640	-	-	1,194,838	1,107,640
Public safety	5,130,707	4,568,619	-	-	5,130,707	4,568,619
Public works	9,454,264	8,646,760	-	-	9,454,264	8,646,760
Planning and development	193,054	116,736	-	-	193,054	116,736
Interest and fiscal agent fees	271,022	278,043	-	-	271,022	278,043
Water and wastewater	-	-	24,250,246	21,752,246	24,250,246	21,752,246
Total expenses	25,527,792	22,663,976	24,250,246	21,752,246	49,778,038	44,416,222
Increase (decrease) in net pension before transfers	8,781,288	18,385,550	15,361,689	8,588,305	24,142,977	26,973,855
Transfers in (out)	5,104,683	44,940	(5,104,683)	(44,940)	-	-
Change in net position	13,885,971	18,430,490	10,257,006	8,543,365	24,142,977	26,973,855
Net position-beginning of year	182,499,725	164,069,235	114,169,064	105,625,699	296,668,789	269,694,934
Net position-end of year	\$ 196,385,696	\$ 182,499,725	\$ 124,426,070	\$ 114,169,064	\$ 320,811,766	\$ 296,668,789

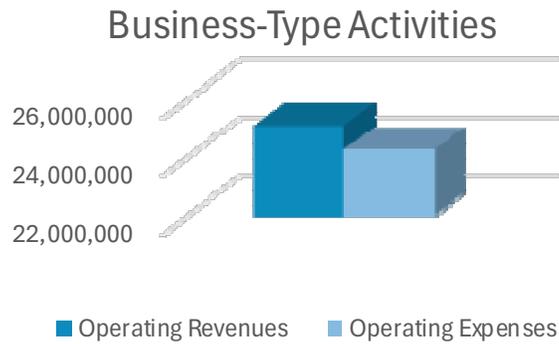
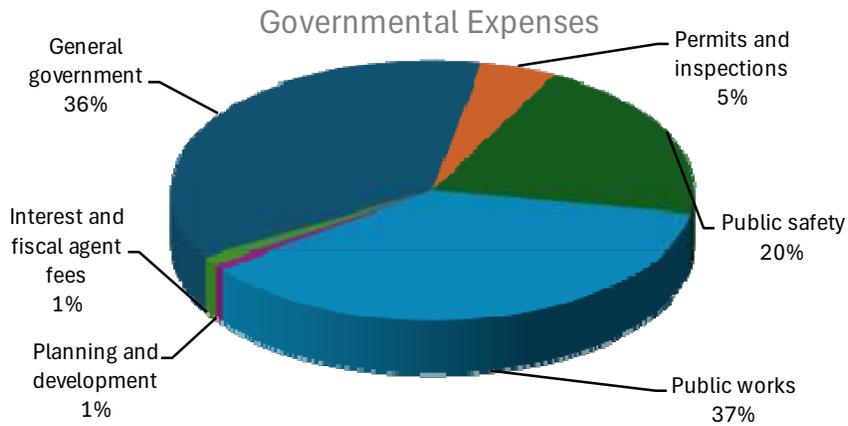
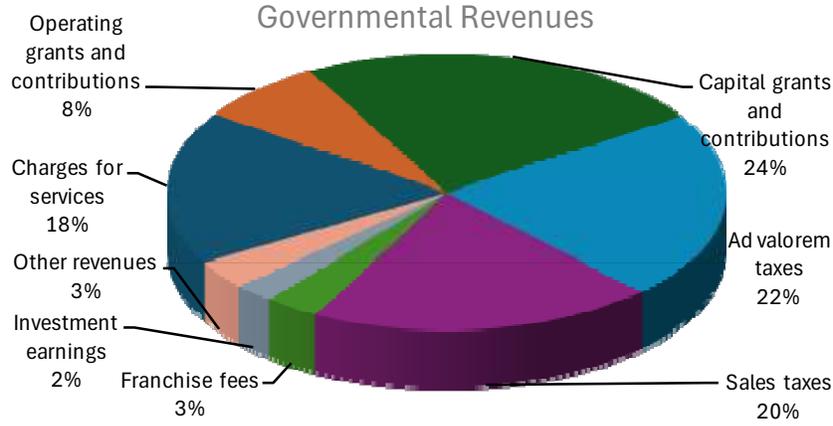
For the year ended September 30, 2025, revenues from governmental activities totaled \$34,309,080, a decrease of \$6,740,446 compared to the prior year. Operating grants and contributions decreased primarily due to the City expending the American Rescue Plan Act (ARPA) grant funds on allowable projects. Capital grants and contributions decreased due to less contributions received from developers for street and drainage additions in the current year compared to the prior year. Property tax revenue increased compared to the prior year because of an increase in the assessed value of properties. Sales tax revenue increased compared to the prior year as a result of greater economic activity and growth within the City.

For the year ended September 30, 2025, expenses from governmental activities totaled \$25,527,792, an increase of \$2,863,816 compared to the prior year. This increase was primarily related to increases in compensation and personnel costs as the City staff grew during the fiscal year.

(Continued)

CITY OF FULSHEAR, TEXAS
 MANAGEMENT DISCUSSION AND ANALYSIS
 For the year ended September 30, 2025

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.



(Continued)

CITY OF FULSHEAR, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended September 30, 2025

For the year ended September 30, 2025, revenues from business-type activities totaled \$39,611,935, an increase of \$9,271,384, compared to the prior year. Capital grants and contributions increased due to contributions from developers for additions to the water and sewer system. Charges for services revenue increased primarily as a result of increased consumption.

For the year ended September 30, 2025, expenses from business-type activities totaled \$24,250,246, an increase of \$2,498,000 compared to the prior year. Water and wastewater expenses increased in water pumpage and meters as overall costs for service increased with additional usage.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$36,008,041, which is an increase from the prior year. Of this combined fund balance, \$8,291,855 is restricted, \$6,724,518 is assigned, and \$20,991,668 is unassigned.

The general fund is the chief operating fund of the City. At the end of the current year, total fund balance reached \$20,991,668 all of which is unassigned. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance represents 107% of total general fund expenditures.

There was an increase in fund balance in the general fund of \$6,076,086 over the prior year. Revenues decreased \$1,792,756 compared to the prior year largely due to decreases in intergovernmental revenues as a result of the City expending the ARPA funding in the prior fiscal year. Expenditures increased \$3,505,402 compared to the prior year primarily due to increases in personnel costs for additional positions created within the City.

There was a decrease in fund balance of \$3,466,683 in the regional park fund due to an increase in capital outlay for park improvements.

Proprietary Funds – The City's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

The amended budget included a planned decrease in fund balance in the amount of \$1,276,634. This budgeted decrease was largely attributable to increases in compensation and personnel costs. The actual fund balance for the year increased by \$6,076,086. Actual revenues exceeded the amended budget by \$2,432,624, primarily attributable to positive variances in charges for services and license and permit revenue. The underlying basis for estimation of resource collection is historical trend analysis combined with a conservative approach to forecasting. The revenue estimates are based on linear trends and other economic indicators such as employment rates, housing statistics, and general overall consumer confidence.

(Continued)

CITY OF FULSHEAR, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended September 30, 2025

Actual general fund expenditures were less than the amended budgeted expenditures by \$3,620,094 during the fiscal year. The largest positive variance was in general government due to less compensation and personnel costs than anticipated.

CAPITAL ASSETS

At the end of fiscal year 2025, the City's governmental and business-type activities had invested \$309,838,995 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$29,306,599.

Major capital asset events during the current year include the following:

- Developer contributions of infrastructure in the amount of \$8,254,315 for governmental activities and \$9,965,997 for business-type activities
- Construction in progress for various water and wastewater infrastructure projects totaling \$11,871,414

More detailed information about the City's capital assets is presented in Note 3 of the financial statements.

LONG-TERM DEBT

At the end of the current year, the City's governmental activities reported long-term liabilities that consisted of \$416,774 in compensated absences, and \$8,109,925 in a note payable. The City's business type activities had \$2,076,707 in leases payable, \$78,970,000 in certificates of obligation, and \$3,380,509 in unamortized premium outstanding at the end of the year.

More detailed information about the City's long-term liabilities is presented in Note 3 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council has adopted the City's 2026 budget. The approval of the budget provides funding for the City's operating and capital costs for the 2026 fiscal year. The City anticipates that revenue will remain fairly consistent with prior year. National, state, and local economic indicators preview a chance for a slowing of the economy and, therefore, estimations for fiscal year 2026 will be tailored with those conditions with a more conservative approach being given to revenue estimations. The main contributors to the revenues continue to remain from ad valorem tax and sales tax generated by increased property value and commercial business through growth.

The city expects a 35% increase in general fund expenditures for fiscal year 2026. The increase is due to inflation and twelve requested new positions to bring water and wastewater operations in-house. The fiscal year 2026 budget continues to place a large emphasis on capital projects, mainly water and wastewater projects, Primrose Park Phase II and III, and the Harris Street Reconstruction project. The City plans to issue general obligation bonds that were approved in May 2025, for Primrose Park Phase III and additional park land acquisition.

Fulshear Lakes, Fulshear Del Webb, Tamarron West, Cross Creek West, and Pecan Knoll continue to increase in new residential development. Cross Creek Ranch, Tamarron Proper, Fulbrook on Fulshear Creek, Polo Ranch, and Fulshear Run are either nearing complete buildout with a few remaining sections or are complete. Additionally, Canvas on Founders Hill, James Lane Estates, Fulshear Junction, and Belmont Estates will be adding an additional 147 +/- 35, 252, and 74 residential units respectively.

(Continued)

CITY OF FULSHEAR, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended September 30, 2025

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the finances of the City. Questions concerning this report or requests for additional financial information should be directed to Michael Mahoney, Interim Finance Director, 6611 W. Cross Creek Bend Lane, Fulshear, TX, 77441; telephone 281-346-1796; or for general City information, visit the City's website at www.fulsheartexas.gov.

BASIC FINANCIAL STATEMENTS

CITY OF FULSHEAR, TEXAS
STATEMENT OF NET POSITION
September 30, 2025

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Fulshear Development Corporation	City of Fulshear Development Corporation
ASSETS					
Cash and cash equivalents	\$ 35,274,755	\$ 2,466,810	\$ 37,741,565	\$ 5,717,151	\$ 5,121,414
Investments	3,762,071	-	3,762,071	-	-
Receivables, net	1,314,499	3,132,106	4,446,605	402,006	399,734
Restricted cash and cash equivalents	16,300	68,142,725	68,159,025	-	-
Net pension asset	92,998	-	92,998	-	-
Capital assets					
Nondepreciable capital assets	12,023,430	37,213,868	49,237,298	805,246	805,246
Depreciable capital assets, net	155,533,060	105,068,637	260,601,697	-	-
Total capital assets	<u>167,556,490</u>	<u>142,282,505</u>	<u>309,838,995</u>	<u>805,246</u>	<u>805,246</u>
Total assets	<u>208,017,113</u>	<u>216,024,146</u>	<u>424,041,259</u>	<u>6,924,403</u>	<u>6,326,394</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflow s - pensions	<u>553,167</u>	<u>-</u>	<u>553,167</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 3,377,990	\$ 6,599,439	\$ 9,977,429	\$ 2,580	\$ 12,937
Customer deposits	16,300	571,421	587,721	-	-
Long-term liabilities					
Due within one year	579,491	1,948,575	2,528,066	-	-
Due in more than one year	7,947,208	82,478,641	90,425,849	-	-
Total long-term liabilities	<u>8,526,699</u>	<u>84,427,216</u>	<u>92,953,915</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>11,920,989</u>	<u>91,598,076</u>	<u>103,519,065</u>	<u>2,580</u>	<u>12,937</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflow s - pensions	<u>263,595</u>	<u>-</u>	<u>263,595</u>	<u>-</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	159,446,565	121,848,141	281,294,706	805,246	805,246
Restricted for					
Regional park	3,870,332	-	3,870,332	-	-
County Assistance District #7	3,874,654	-	3,874,654	-	-
Enabling legislation	323,660	-	323,660	-	-
Public safety	223,209	-	223,209	-	-
Economic development	-	-	-	6,116,577	5,508,211
Capital projects	-	431,172	431,172	-	-
Unrestricted	<u>28,647,276</u>	<u>2,146,757</u>	<u>30,794,033</u>	<u>-</u>	<u>-</u>
Total net position	<u>\$ 196,385,696</u>	<u>\$ 124,426,070</u>	<u>\$ 320,811,766</u>	<u>\$ 6,921,823</u>	<u>\$ 6,313,457</u>

See Notes to Financial Statements.

CITY OF FULSHEAR, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2025

Functions/Programs	Net Revenue (Expense) and Changes in Net Position							
	Program Revenues				Primary Government		Component Units	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business-Type Activities	Total	Fulshear Development Corporation	City of Fulshear Development Corporation
<u>Expenses</u>	\$ 9,283,907	\$ -	\$ -	\$ (9,283,907)	\$ -	\$ (9,283,907)	\$ -	\$ -
General government	1,194,838	5,222,292	-	4,027,454	-	4,027,454	-	-
Permits and inspections	5,130,707	855,706	-	(4,275,001)	-	(4,275,001)	-	-
Public safety	9,454,264	-	2,561,639	1,361,690	-	1,361,690	-	-
Public works	193,054	-	-	(193,054)	-	(193,054)	-	-
Planning and development	271,022	-	-	(271,022)	-	(271,022)	-	-
Interest on long-term debt	25,527,792	6,077,998	2,561,639	(8,633,840)	-	(8,633,840)	-	-
Total governmental activities	24,250,246	25,104,799	186,847	-	11,007,397	11,007,397	-	-
Business-type activities	24,250,246	25,104,799	186,847	-	11,007,397	11,007,397	-	-
Water and wastewater	49,778,038	31,182,797	2,748,486	(8,633,840)	11,007,397	2,373,557	-	-
Total business-type activities	1,184,525	-	-	-	-	-	\$ (1,184,525)	\$ -
Total primary government	1,693,686	-	-	-	-	-	(1,693,686)	(1,693,686)
Component Units	2,878,211	-	-	-	-	-	(1,184,525)	(1,693,686)
Fulshear Development Corporation	General revenues	-	-	-	-	-	-	-
City of Fulshear Development Corporation	Ad valorem taxes	7,464,349	-	-	-	7,464,349	-	-
	Sales taxes	6,882,429	-	-	-	6,882,429	2,248,880	2,248,879
	Franchise fees	1,108,781	-	-	-	1,108,781	-	-
	Investment earnings	794,965	-	-	-	794,965	4,199,437	109,529
	Other revenues	1,164,604	-	-	-	1,164,604	154,855	107,642
	Transfers	5,104,683	-	-	-	5,104,683	433	433
	Total general revenues and transfers	22,519,811	-	-	-	22,519,811	(750,391)	2,358,842
	Change in net position	13,885,971	-	-	-	13,885,971	10,257,006	1,174,317
	Beginning net position	182,499,725	-	-	-	182,499,725	114,169,064	5,747,506
	Ending net position	\$196,385,696	-	-	-	\$196,385,696	\$124,426,070	\$ 6,921,823

See Notes to Financial Statements.

CITY OF FULSHEAR, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2025

	<u>General</u>	<u>Formerly Nonmajor Regional Park</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 17,710,327	\$ 5,328,456	\$ 11,325,451	\$ 34,364,234
Investments	3,762,071	-	-	3,762,071
Receivables, net	967,683	-	346,816	1,314,499
Restricted cash and cash equivalents	16,300	-	-	16,300
Total assets	<u>\$ 22,456,381</u>	<u>\$ 5,328,456</u>	<u>\$ 11,672,267</u>	<u>\$ 39,457,104</u>
LIABILITIES				
Accounts payable	\$ 1,160,639	\$ 1,458,124	\$ 526,226	\$ 3,144,989
Accrued expenditures	233,001	-	-	233,001
Customer deposits	16,300	-	-	16,300
Total liabilities	<u>1,409,940</u>	<u>1,458,124</u>	<u>526,226</u>	<u>3,394,290</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	54,773	-	-	54,773
FUND BALANCES				
Restricted				
Regional park	-	3,870,332	-	3,870,332
County Assistance District #7	-	-	3,874,654	3,874,654
Enabling legislation	-	-	323,660	323,660
Public safety	-	-	223,209	223,209
Assigned				
Capital projects	-	-	6,724,518	6,724,518
Unassigned	20,991,668	-	-	20,991,668
Total fund balances	<u>20,991,668</u>	<u>3,870,332</u>	<u>11,146,041</u>	<u>36,008,041</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,456,381</u>	<u>\$ 5,328,456</u>	<u>\$ 11,672,267</u>	<u>\$ 39,457,104</u>

See Notes to Financial Statements.

CITY OF FULSHEAR, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
September 30, 2025

Total fund balances for governmental funds		\$ 36,008,041
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets - nondepreciable	12,023,430	
Capital assets - depreciable, net	155,533,060	167,556,490
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		
		54,773
Deferred outflows and deferred inflows related to the net pension asset are deferred in the governmental funds.		
Deferred outflows - pensions	553,167	
Deferred inflows - pensions	(263,595)	289,572
An internal service fund is used by management to account for the cost of vehicle and equipment replacement. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.		
Internal service fund net position	1,706,428	
Capital assets accounted for in capital assets used in governmental activities.	(795,907)	910,521
Some liabilities and assets, such as note payable, compensated absences and net pension asset, are not reported as liabilities and assets in the governmental funds.		
Net pension asset	92,998	
Noncurrent liabilities due in one year	(579,491)	
Noncurrent liabilities due in more than one year	(7,947,208)	(8,433,701)
Net position of governmental activities		\$ 196,385,696

See Notes to Financial Statements.

CITY OF FULSHEAR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES GOVERNMENTAL FUNDS
For the year ended September 30, 2025

	General	Formerly Major Fund Capital Projects	Formerly Nonmajor Fund Regional Park	Nonmajor Governmental	Total Governmental Funds
Revenues					
Property taxes	\$ 7,464,349		\$ -	\$ -	\$ 7,464,349
Sales taxes	4,568,081		-	2,314,348	6,882,429
Franchise fees	1,108,781		-	-	1,108,781
Public improvement fees	589,168		-	-	589,168
Licenses and permits	2,789,153		-	-	2,789,153
Fines and forfeitures	779,961		-	75,745	855,706
Charges for services	1,843,971		-	-	1,843,971
Investment earnings	427,356		141,399	212,320	781,075
Intergovernmental	744,524		-	1,817,115	2,561,639
Other revenue	39,094		1,125,510	-	1,164,604
Total revenues	<u>20,354,438</u>		<u>1,266,909</u>	<u>4,419,528</u>	<u>26,040,875</u>
Expenditures					
Current					
General government	8,921,555		-	-	8,921,555
Permits and inspections	1,185,845		-	-	1,185,845
Public safety	4,837,732		-	80,833	4,918,565
Public works	3,599,209		-	-	3,599,209
Planning and development	179,741		-	-	179,741
Capital outlay	400,217		4,733,592	2,240,936	7,374,745
Debt service					
Principal	193,778		-	-	193,778
Interest and fiscal charges	271,022		-	-	271,022
Total expenditures	<u>19,589,099</u>		<u>4,733,592</u>	<u>2,321,769</u>	<u>26,644,460</u>
Excess (deficiency) of revenues over (under) expenditures	<u>765,339</u>		<u>(3,466,683)</u>	<u>2,097,759</u>	<u>(603,585)</u>
Other financing sources (uses)					
Transfers in	5,660,747		-	997,500	6,658,247
Transfers (out)	(350,000)		-	(1,247,500)	(1,597,500)
Total other financing sources (uses)	<u>5,310,747</u>		<u>-</u>	<u>(250,000)</u>	<u>5,060,747</u>
Net change in fund balances	6,076,086		(3,466,683)	1,847,759	4,457,162
Beginning fund balances, as previously presented	<u>14,915,582</u>	<u>\$ 6,081,731</u>	<u>-</u>	<u>10,553,566</u>	<u>31,550,879</u>
Change within financial reporting entity	<u>-</u>	<u>(6,081,731)</u>	<u>7,337,015</u>	<u>(1,255,284)</u>	<u>-</u>
Beginning fund balances, as adjusted	<u>14,915,582</u>	<u>-</u>	<u>7,337,015</u>	<u>9,298,282</u>	<u>31,550,879</u>
Ending fund balances	<u>\$ 20,991,668</u>	<u>\$ -</u>	<u>\$ 3,870,332</u>	<u>\$ 11,146,041</u>	<u>\$ 36,008,041</u>

See Notes to Financial Statements.

CITY OF FULSHEAR, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the year ended September 30, 2025

Net change in fund balances - total governmental funds \$ 4,457,162

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(6,500,797)
Capital outlay	7,334,571
Transfer of capital assets from business-type activities to governmental activities	43,936

Capital contributions by developers are not recorded in governmental funds as the contributions do not represent current financial resources.

8,254,315

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal payments	193,778
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Governmental funds report the payment of pension contributions as an expenditure; whereas, these payments are treated as reduction in the net pension liability/(asset) on the Statement of Activities.

Change in net pension liability/(asset)	373,618
Change in deferred outflows - pensions	(158,288)
Change in deferred inflows - pensions	(194,906)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(32,502)
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An internal service fund is used by management to account for the cost of vehicle and equipment replacement. The net revenue is reported with governmental activities.

115,084

Change in net position of governmental activities	<u>\$ 13,885,971</u>
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See Notes to Financial Statements.

CITY OF FULSHEAR, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2025

	<u>Business-Type Activities Water and Wastewater</u>	<u>Governmental Activities Vehicle Replacement</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,466,810	\$ 910,521
Receivables, net	3,132,106	-
Restricted cash and cash equivalents	68,142,725	-
Total current assets	<u>73,741,641</u>	<u>910,521</u>
Noncurrent assets		
Capital assets		
Land	526,082	-
Construction in progress	36,687,786	-
Buildings	110,372	-
Right-to-use assets	2,746,963	-
Utility system	130,091,359	-
Machinery and equipment	262,893	1,792,099
Less accumulated depreciation/amortization	(28,142,950)	(996,192)
Total capital assets	<u>142,282,505</u>	<u>795,907</u>
Total assets	<u>216,024,146</u>	<u>1,706,428</u>
LIABILITIES		
Current liabilities		
Accounts payable	6,599,439	-
Customer deposits	571,421	-
Long-term liabilities - current	1,948,575	-
Total current liabilities	<u>9,119,435</u>	<u>-</u>
Noncurrent liabilities		
Long-term liabilities	82,478,641	-
Total noncurrent liabilities	<u>82,478,641</u>	<u>-</u>
Total liabilities	<u>91,598,076</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	121,848,141	795,907
Restricted for capital projects	431,172	-
Unrestricted	2,146,757	910,521
Total net position	<u>\$ 124,426,070</u>	<u>\$ 1,706,428</u>

See Notes to Financial Statements.

CITY OF FULSHEAR, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION PROPRIETARY FUNDS
For the year ended September 30, 2025

	<u>Business-Type Activities Water and Wastewater</u>	<u>Governmental Activities Vehicle Replacement</u>
Operating revenues		
Charges for sales and services	\$ 25,104,799	\$ 471,161
Other revenues	154,855	4,400
Total operating revenues	25,259,654	475,561
Operating expenses		
Supplies	592,235	-
Contractual services	6,478,024	-
Utilities	990,753	-
Repairs and maintenance	1,107,690	42,076
Other operating expenses	8,716,789	-
Depreciation	3,438,451	332,291
Total operating expenses	21,323,942	374,367
Operating income	3,935,712	101,194
Nonoperating revenues (expenses)		
Investment earnings	4,199,437	13,890
Intergovernmental	186,847	-
Interest and fiscal agent fees	(2,970,240)	-
Total nonoperating revenues	1,416,044	13,890
Income before contributions and transfers	5,351,756	115,084
Contributions and transfers		
Capital contributions	9,965,997	369,738
Transfers (out)	(5,060,747)	-
Total contributions and transfers	4,905,250	369,738
Change in net position	10,257,006	484,822
Beginning net position	114,169,064	1,221,606
Ending Net Position	\$ 124,426,070	\$ 1,706,428

See Notes to Financial Statements.

CITY OF FULSHEAR, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2025

	<u>Business-Type Activities Water and Wastewater</u>	<u>Governmental Activities Vehicle Replacement</u>
Cash flows from operating activities		
Receipts from customers	\$ 25,165,645	\$ -
Receipts from interfund charges for services	-	475,561
Payments to suppliers	<u>(18,984,213)</u>	<u>(47,596)</u>
Net cash provided by operating activities	<u>6,181,432</u>	<u>427,965</u>
Cash flows from noncapital financing activities		
Intergovernmental	186,847	-
Transfers (out)	<u>(5,060,747)</u>	<u>-</u>
Net cash (used) by noncapital financing activities	<u>(4,873,900)</u>	<u>-</u>
Cash flows used in capital and related financing activities		
Principal payments on long-term liabilities	(849,152)	-
Proceeds from debt issuance	45,463,311	-
Interest and fiscal agent fees	(3,098,759)	-
Acquisition of capital assets	<u>(11,584,397)</u>	<u>(80,726)</u>
Net cash provided (used) by capital and related financing activities	<u>29,931,003</u>	<u>(80,726)</u>
Cash flows from investing activities		
Interest on investments	<u>4,199,437</u>	<u>13,890</u>
Net cash provided by investing activities	<u>4,199,437</u>	<u>13,890</u>
Net increase (decrease) in cash and cash equivalents	35,437,972	361,129
Beginning cash and cash equivalents	<u>35,171,563</u>	<u>549,392</u>
Ending cash and cash equivalents	<u>\$ 70,609,535</u>	<u>\$ 910,521</u>
Unrestricted cash and cash equivalents	\$ 2,466,810	\$ 910,521
Restricted cash and cash equivalents	<u>68,142,725</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 70,609,535</u>	<u>\$ 910,521</u>

See Notes to Financial Statements.

CITY OF FULSHEAR, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2025

	<u>Business-Type Activities Water and Wastewater</u>	<u>Governmental Activities Vehicle Replacement</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 3,935,712	\$ 101,194
Adjustments to reconcile operating income to net cash provided by operating		
Depreciation/amortization	3,438,451	332,291
Changes in operating assets and liabilities		
(Increase) decrease in		
Accounts receivable	(175,359)	-
Increase (decrease) in		
Accounts payable and accrued liabilities	(1,098,722)	(5,520)
Customer deposits	<u>81,350</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 6,181,432</u>	<u>\$ 427,965</u>
Noncash capital activities		
Right-to-use assets	2,027,179	-
CIP additions financed through increases in retainage payable	287,017	-
Capital assets contributed during the year	<u>9,965,997</u>	<u>369,738</u>
Total non cash capital activities	<u>\$ 11,993,176</u>	<u>\$ 369,738</u>

See Notes to Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The City was incorporated in 1977 and operated as a “Type A, General Law” city until May 2016; wherein the voters elected to become a “Home Rule Charter,” which provided for a “Council-Manager” form of government; whereas the City Council is the principal legislative body of the City composed of seven council members who serve two-year terms. The Mayor presides at the City Council meetings. The City Manager is the chief executive officer of the City and is responsible to the City Council for the management of all City affairs placed in the City Manager’s charge by or under the charter.

The City provides the following services: general government, permits and inspections, public safety, public works, planning and development, and waste and wastewater.

The City is an independent political subdivision of the State of Texas (the “State”) governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. The component units listed below are considered discretely presented component units and are part of the reporting entity. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Discretely Presented Component Unit – After voter approval on August 29, 2007, the City formed the City of Fulshear Development Corporation (“CDC”), a 4A development corporation. The Board of Directors is appointed by and serves at the discretion of the City Council. City Council approval is required for budgets and bonded debt issuances. The CDC was created to manage and supervise the programs and activities with revenues from their portion (one-half percent) of the sales tax increase of one percent, allowed by state law and approved by voters on August 29, 2007. The revenues are limited to manufacturing and industrial development.

Fulshear Development Corporation – After voter approval on August 29, 2007, the City formed the Fulshear Development Corporation (FDC), a 4B development corporation. The Board of Directors are appointed by and serve at the discretion of the City Council. City Council approval is required for budgets and bonded debt issuances. The FDC was created to manage and supervise the programs and activities with revenues from their portion (one-half percent) of the sales tax increase of one percent, allowed by state law and approved by voters on August 29, 2007. The revenues are limited to quality of life improvements, including economic development that will attract and retain primary employers.

The component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City. In the event of dissolution, net position of the CDC and the FDC shall be conveyed back to the City. Separate financial statements are not available for the CDC and FDC.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements: The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government and its component unit. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Basis of Presentation – Government-Wide Financial Statements: While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following governmental funds:

General Fund: The general fund is used to account for and report all financial resources not accounted for and reported in other funds. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, community development, and public works. The general fund is always considered a major fund for reporting purposes.

Capital Projects Fund: The capital projects fund is used to account for the expenditures of resources accumulated for capital improvement projects.

Special Revenue Funds: The special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The regional park fund is considered a major fund for reporting purposes. The regional park fund is used to account for funds restricted for park land and development.

The City reports the following proprietary fund:

Enterprise Fund: The enterprise fund is used to account for the operations that provide water and wastewater collection and wastewater treatment operations. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The City maintains an enterprise fund for water and wastewater services. This fund is considered a major fund for reporting purposes.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the City reports the following fund type:

Internal Service Fund: The internal service fund accounts for services provided to other departments of the primary government on a cost reimbursement basis. The City's internal service fund is used to account for vehicle and equipment replacement.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting: The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

(Continued)

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes, sales taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance:

Cash and Cash Equivalents: The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

The City maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest-bearing accounts and other investments are displayed on the combined balance sheet as "cash and equity in pooled cash." For cash management purposes, the City has a sweep arrangement with the bank to transfer cash balances to a money market mutual fund account each day. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

Investments: Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest-earning contracts, such as certificates of deposit, are reported at cost.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Direct obligations of the State
- Fully collateralized certificates of deposit
- Statewide investment pools
- Repurchase agreements, reverse purchase agreements, bankers' acceptances, and commercial paper
- Related no-load money market mutual funds

Restricted Assets: Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Infrastructure is not held to the \$5,000 limit; all infrastructure is capitalized regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	20 to 50 years
Improvements other than buildings	5 to 50 years
Machinery and equipment	5 to 10 years
Water and sewer system	20 to 50 years
Infrastructure	30 to 50 years

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension activities are amortized over the average of the expected service lives of pension plan members, except for the net differences between the projected and actual investment earnings on the pension plan assets, which are amortized over a period of five years.
- For employer pension plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Compensated Employee Absences: The City accounts for compensated absences in accordance with GASB Statement No. 101, Compensated Absences. Compensated absences include vacation and compensatory time that (1) have been earned for services previously rendered by employees, (2) accumulate and may be carried over into subsequent years, and (3) are more likely than not to be used as time off or settled (for example, paid in cash to the employee) during employment or upon separation from employment. Vacation and compensatory time accumulated, up to certain amounts, may be paid to employees upon termination of employment. Vacation may be accumulated up to 240 hours. The liability is measured using the pay rates in effect at year-end and includes salary-related payments that are directly and incrementally associated with the payment of these benefits.

Long-Term Obligations: In the government-wide financial statements and proprietary fund types in the fund financial statements, other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

Net Position Flow Assumption: Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions: Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies: Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The general fund is the only fund that reports a positive unassigned fund balance.

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, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Pensions: For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS' fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Leases: The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible, right-to-use lease asset (the "lease asset") in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$10,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subscription-Based Information Technology Arrangements: The City has noncancellable subscription-based information technology arrangements (“SBITAs”) to finance the use of information technology software. The City would recognize a liability (the “subscription liability”) and an intangible, right-to-use subscription asset (the “subscription asset”) in the financial statements. The City’s SBITAs to report are immaterial to the financial statements as a whole and are not recognized as a subscription liability or a subscription asset.

New Accounting Pronouncement: GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences and associated salary-related payments by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Management implemented this pronouncement for fiscal year ended September 30, 2025. The impact on the financial statements as a result of implementation of this standard was immaterial. The footnotes to the financial statements have been amended in accordance with the standard.

Revenues and Expenditures/Expenses:

Program Revenues: Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes: Property taxes are collected based on rates adopted in the year of the levy. The 2024 tax levy was used to finance the City’s 2025 fiscal year. Assessed values are determined as of January 1 of each year. Taxes are levied around October and are due upon receipt. Taxes are delinquent the following February 1. Penalty and interest attach thereafter.

Proprietary Funds Operating and Nonoperating Revenues and Expenses: Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales, services, and leases. The enterprise funds also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles except the capital projects fund, which adopts a project length budget. A budget was not adopted for the local youth diversion special revenue fund for the year ended September 30, 2025. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control in the approved budget, as defined by the charter, is at the fund level for all funds. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended September 30, 2025.

(Continued)

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2025

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Encumbrances represent the estimated amount of expenditures ultimately to result when unperformed contracts (in progress at year end) are completed. Such encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Expenditures in Excess of Appropriations: For the year ended September 30, 2025, expenditures exceeded appropriations at the legal level of control as follows:

Police department donation fund	
Public safety	\$ 3,766

NOTE 3 - DETAILED NOTES ON ALL FUNDS

Investments: As of September 30, 2025, the City had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Rating</u>
Certificates of deposit	\$ 250,403	1.95	N/A
Municipal and state bonds	3,497,505	1.05	AA-/AA/AAA/AA2
Money market fund	14,163	0.00	AAAm
TexPool	46,873,381	0.11	AAAm
Texas CLASS	58,103,528	0.23	AAAm
Total value	\$ 108,738,980		
Portfolio weighted average maturity		0.21	

Fair Value Measurement: The City categorizes its fair value measurements within a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

(Continued)

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Fair value is measured in a manner consistent with one of the three approaches: market approach, cost approach, and the income approach. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or groups of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts, such as cash flows, to a single current (discounted) amount.

As of September 30, 2025, the City had the following recurring fair value measurements:

<u>Investments by Fair Value Level</u>	September 30, <u>2025</u>	<u>Fair Value Measurements Using</u>	
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Money market fund	\$ 14,163	\$ 14,163	\$ -
Certificates of deposit	250,403	-	250,403
Municipal and state bonds	<u>3,497,505</u>	-	<u>3,497,505</u>
Total	<u>\$ 3,762,071</u>	<u>\$ 14,163</u>	<u>\$ 3,747,908</u>

U.S. Government agency bonds and notes and municipal bonds are classified in Level 2 of the fair value hierarchy and are valued using the market approach.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Credit risk. The City's policy requires that investment pools must be rated no lower than 'AAA' or 'AAA-m'. As of September 30, 2025, the City's investments in the investment pool were rated 'AAAm' by Standard & Poor's.

Custodial credit risk – deposits. In the case of deposits, this is the risk that the City's deposits may not be returned in the event of a bank failure. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2025, fair market values of pledged securities and FDIC coverage exceeded bank balances for both the City and the discretely presented component units.

Custodial credit risk – investments. For an investment, this is the risk that the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The City's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Texas CLASS - The Texas Cooperative Liquid Assets Securities System Trust ("CLASS") is a public funds investment pool under Section 2256.016 of the Act, Texas Government Code, as amended. CLASS is created under an amended and restated trust agreement, dated as of December 14, 2011 (the "Agreement"), among certain Texas governmental entities investing in CLASS (the "Participants"), with Cutwater Investor Services Corporation as program administrator and Wells Fargo Bank Texas, NA as custodian. CLASS is not SEC registered and is not subject to regulation by the State. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the "Board"), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with Cutwater Investors Service Corporation to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained from CLASS' website at www.texasclass.com.

CLASS is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, CLASS must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within CLASS. CLASS transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. The City's balance is considered the fair value of their investment in CLASS.

TexPool - TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool "AAAm." As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

(Continued)

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Receivables: Amounts are aggregated into a single accounts receivable line (net of allowance for uncollectibles) for certain funds and aggregated columns. Below is the detail of receivables for the general fund, the nonmajor governmental funds in the aggregate, the enterprise fund, and the discretely presented component units including the applicable allowances for uncollectible accounts:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Water and Wastewater</u>	<u>Total</u>
Property taxes	\$ 54,773	\$ -	\$ -	\$ 54,773
Other taxes	912,245	346,816	-	1,259,061
Accounts	-	-	4,143,947	4,143,947
Intergovernmental	3,005	-	-	3,005
Other	1,136	-	282,380	283,516
Less allowance	<u>(3,476)</u>	<u>-</u>	<u>(1,294,221)</u>	<u>(1,297,697)</u>
Total	<u>\$ 967,683</u>	<u>\$ 346,816</u>	<u>\$ 3,132,106</u>	<u>\$ 4,446,605</u>

	<u>Fulshear Development Corporation</u>	<u>City of Fulshear Development Corporation</u>
Other taxes	\$ 399,734	\$ 399,734
Other	<u>2,272</u>	<u>-</u>
Total	<u>\$ 402,006</u>	<u>\$ 399,734</u>

(Continued)

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets: The following is a summary of changes in capital assets for governmental activities for the year end:

	Primary Government			Ending Balance
	Beginning Balance	Increases	(Decreases)/ Reclassifications	
<u>Governmental activities</u>				
Capital assets not being depreciated/amortized				
Land	\$ 4,286,190	\$ -	\$ -	\$ 4,286,190
Construction in progress	763,067	6,974,173	-	7,737,240
Total capital assets not being depreciated/amortized	5,049,257	6,974,173	-	12,023,430
Other capital assets				
Infrastructure	162,877,507	8,254,315	-	171,131,822
Buildings and improvements	21,579,320	-	-	21,579,320
Machinery and equipment	3,443,171	485,060	-	3,928,231
Total other capital assets	187,899,998	8,739,375	-	196,639,373
Less accumulated depreciation/amortization for				
Infrastructure	(31,523,757)	(5,704,394)	694,132	(36,534,019)
Buildings and improvements	(501,774)	(712,446)	(694,132)	(1,908,352)
Machinery and equipment	(2,247,694)	(416,248)	-	(2,663,942)
Total accumulated depreciation/amortization	(34,273,225)	(6,833,088)	-	(41,106,313)
Total capital assets, net	153,626,773	1,906,287	-	155,533,060
Governmental activities capital assets, net	\$ 158,676,030	\$ 8,880,460	\$ -	167,556,490
			Less associated debt	(8,109,925)
			Net investment in capital assets	\$ 159,446,565

Depreciation was charged to governmental functions as follows:

General government	\$ 729,751
Permits and inspections	11,392
Public safety	220,490
Public works	5,857,943
Development services	13,512
Total governmental activities depreciation and amortization expense	\$ 6,833,088

Construction in progress and remaining commitments under related construction contracts for governmental fund projects at year end are as follows:

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Contract</u>
Harris Street Reconstruction	\$ 4,227,816	\$ 1,527,426	\$ 2,700,390
Construction of Primrose Park Phase II	5,499,958	3,729,382	1,770,576
Total	\$ 9,727,774	\$ 5,256,808	\$ 4,470,966

(Continued)

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

The following is a summary of changes in capital assets for business-type activities for the year end:

	Primary Government			Ending Balance
	Beginning Balance	Increases	(Decreases)/ Reclassifications	
<u>Business-type activities</u>				
Capital assets not being depreciated/amortized				
Land	\$ 526,082	\$ -	\$ -	\$ 526,082
Construction in progress	26,489,823	11,871,414	(1,673,451)	36,687,786
Total capital assets not being depreciated/amortized	27,015,905	11,871,414	(1,673,451)	37,213,868
Other capital assets				
Water and sewer system	118,451,911	11,639,448	-	130,091,359
Buildings and improvements	110,372	-	-	110,372
Right-to-use assets	719,784	2,027,179	-	2,746,963
Machinery and equipment	262,893	-	-	262,893
Total other capital assets	119,544,960	13,666,627	-	133,211,587
Less accumulated depreciation/amortization for				
Water and sewer system	(23,935,041)	(3,193,618)	-	(27,128,659)
Buildings and improvements	(99,686)	(2,759)	-	(102,445)
Right-to-use assets	(471,132)	(224,616)	-	(695,748)
Machinery and equipment	(198,640)	(17,458)	-	(216,098)
Total accumulated depreciation/amortization	(24,704,499)	(3,438,451)	-	(28,142,950)
Other capital assets, net	94,840,461	10,228,176	-	105,068,637
Business-type activities capital assets, net	\$ 121,856,366	\$ 22,099,590	\$ (1,673,451)	142,282,505
		Less associated debt		(84,427,216)
		Less construction accounts payable		(3,147,280)
		Plus unspent bond proceeds		67,140,132
		Net investment in capital assets		\$ 121,848,141

Depreciation expense for business-type functions was all charged to the water and sewer function.

Construction in progress and remaining commitments under related construction contracts for business-type activities projects at year end are as follows:

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Contract</u>
W22A Construction of Downtown Water Plant	\$ 7,607,875	\$ 7,526,344	\$ 81,531
Water Plant No. 2 Elevated Storage Tank	4,285,000	4,229,000	56,000
Construction of Water Plant No. 2 Wharton-Smith	14,434,000	13,330,685	1,103,315
Total	\$ 26,326,875	\$ 25,086,029	\$ 1,240,846

(Continued)

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

The following is a summary of changes in capital assets for the component units for the year end:

	Component Units			Ending Balance
	Beginning Balance	Increases	(Decreases)/ Reclassifications	
<u>Component unit activities</u>				
Capital assets not being depreciated/amortized				
Land	\$ 1,610,492	\$ -	\$ -	\$ 1,610,492
Total capital assets not depreciated/amortized	<u>1,610,492</u>	<u>-</u>	<u>-</u>	<u>1,610,492</u>
Component unit capital assets, net	<u>\$ 1,610,492</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,610,492</u>
			Less associated debt	<u>-</u>
			Net investment in capital assets	<u>\$ 1,610,492</u>

Long-Term Debt: The following is a summary of changes in the City's total governmental long-term liabilities for the year end:

	Beginning Balances	Additions	(Reductions)	Ending Balances	Amounts Due Within One Year
<u>Governmental activities</u>					
Note payable	\$ 8,303,703	\$ -	\$ (193,778)	\$ 8,109,925 *	\$ 204,394
Other liabilities					
Compensated absences	384,272	32,502	-	416,774	375,097
Net pension liability	<u>280,620</u>	<u>-</u>	<u>(280,620)</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 8,968,595</u>	<u>\$ 32,502</u>	<u>\$ (474,398)</u>	<u>\$ 8,526,699</u>	<u>\$ 579,491</u>
				Long-term debt due in more than one year	<u>\$ 7,947,208</u>
				*Debt associated with governmental activities related capital assets	<u>\$ 8,109,925</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type activities</u>					
Lease payable	\$ 263,680	\$ 2,027,179	\$ (214,152)	\$ 2,076,707 **	\$ 418,575
Certificates of obligation	36,380,000	43,225,000	(635,000)	78,970,000 **	1,530,000
Plus unamortized premiums	<u>1,270,717</u>	<u>2,238,311</u>	<u>(128,519)</u>	<u>3,380,509 **</u>	<u>-</u>
Total business-type activities	<u>\$ 37,914,397</u>	<u>\$ 47,490,490</u>	<u>\$ (977,671)</u>	<u>\$ 84,427,216</u>	<u>\$ 1,948,575</u>
				Long-term liabilities due in more than one year	<u>\$ 82,478,641</u>
				**Debt associated with business-type activities capital assets	<u>\$ 84,427,216</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities compensated absences, and principal and interest payments on the note are liquidated by the general fund.

(Continued)

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Long term liabilities at year end was comprised of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance</u>
Governmental activities			
Note Payable - Bancorp South Bank	3.25%	\$ 8,900,000	\$ 8,109,925
Total note payable			<u>8,109,925</u>
Total governmental activities debt			<u>\$ 8,109,925</u>
Business-type activities			
Certificates of obligation 2022 Series	4.50-5.25%	\$ 36,530,000	\$ 35,745,000
Certificates of obligation 2024 Series	4.00-5.00%	\$ 43,225,000	43,225,000
Total certificates of obligation			<u>78,970,000</u>
Total business-type activities debt			<u>\$ 78,970,000</u>

On October 18, 2022, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2022 (the "Certificates") in the amount of \$36,530,000. The Certificates are set to mature between 2024 through 2051, and carry an interest rate of 4.50% to 5.25%. The proceeds from the Certificates will be used to fund various water and wastewater treatment projects throughout the City.

On October 31, 2024, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2024 (the "Certificates") in the amount of \$43,225,000. The Certificates are set to mature between 2026 through 2051 and carry an interest rate of 4.00 to 5.00%. The proceeds from the Certificates will be used to fund various water and wastewater treatment projects throughout the City.

The annual requirements to amortize the certificates outstanding at year end were as follows:

<u>Fiscal Year Ended September 30,</u>	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total Due</u>
2026	\$ 1,530,000	\$ 3,660,831	\$ 5,190,831
2027	1,605,000	3,584,331	5,189,331
2028	1,685,000	3,504,081	5,189,081
2029	1,770,000	3,419,831	5,189,831
2030	1,860,000	3,331,331	5,191,331
2031-2035	10,790,000	15,165,655	25,955,655
2036-2040	13,730,000	12,220,299	25,950,299
2041-2045	17,290,000	8,665,326	25,955,326
2046-2050	21,555,000	4,389,675	25,944,675
2051-2052	<u>7,155,000</u>	<u>410,825</u>	<u>7,565,825</u>
Total	<u>\$ 78,970,000</u>	<u>\$ 58,352,185</u>	<u>\$ 137,322,185</u>

(Continued)

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

The annual requirements to amortize the note payable outstanding at year-end were as follows (based on the interest rate of 3.25%):

Fiscal Year Ended <u>September 30,</u>	Total Principal <u>Due</u>	Total Interest <u>Due</u>	Total <u>Due</u>
2026	\$ 204,394	\$ 260,406	\$ 464,800
2027	211,136	253,663	464,799
2028	218,103	246,697	464,800
2029	225,297	239,502	464,799
2030	232,732	232,067	464,799
2031-2035	1,284,940	1,039,062	2,324,002
2036-2040	1,511,333	812,669	2,324,002
2041-2045	1,777,615	546,387	2,324,002
2046-2050	2,090,813	233,189	2,324,002
2051	<u>353,562</u>	<u>4,674</u>	<u>358,236</u>
Total	<u>\$ 8,109,925</u>	<u>\$ 3,868,316</u>	<u>\$ 11,978,241</u>

The City has entered into lease agreements as lessee for the acquisition and use of water and sewer equipment. As of September 30, 2025, the value of the lease liability was \$2,076,707. The City is required to make monthly principal and interest payments ranging from \$14,345 to \$45,350. The lease has interest rates range from 4.00% to 12.25%. The assets will be amortized using a straight-line basis over the remaining terms of the leases. The value of the right-to-use lease assets as of the end of the current fiscal year was \$2,746,963 and had accumulated amortization of \$695,748.

The future principal and interest lease payments as of September 30, 2025 were as follows:

Fiscal Year Ended <u>September 30,</u>	Principal <u>Due</u>	Interest <u>Due</u>	Total <u>Due</u>
2026	\$ 418,575	\$ 226,040	\$ 644,615
2027	360,896	183,304	544,200
2028	407,674	136,526	544,200
2029	460,516	83,684	544,200
2030	<u>429,046</u>	<u>24,456</u>	<u>453,502</u>
Total	<u>\$ 2,076,707</u>	<u>\$ 654,010</u>	<u>\$ 2,730,717</u>

(Continued)

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Receivables, Payables, and Transfers: Transfers between the primary government funds during the year were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
Water and wastewater	General	\$ 5,060,747
Nonmajor governmental	General	600,000
General	Nonmajor governmental	350,000
Nonmajor governmental	Nonmajor governmental	647,500
		\$ 6,658,247

Interfund transfers for the year were primarily related to debt service payments and capital projects.

Restricted Assets: The balances of the restricted cash accounts recognized by the City are as follows:

	<u>General</u>	<u>Water and Wastewater</u>
Restricted for		
Customer deposits	\$ 16,300	\$ 571,421
Capital projects	-	67,140,132
Contractual capital reserve	-	431,172
	\$ 16,300	\$ 68,142,725

Fund Equity: As of September 30, 2025, \$323,660 of the City's total fund balance/net position is restricted by enabling legislation.

NOTE 4 - OTHER INFORMATION

Risk Management: The City 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 City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

Contingent Liabilities: Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures that may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

Interlocal Agreement: On January 22, 2018, the City Council approved an Interlocal Agreement (the "Agreement") with Fort Bend County (the "County") for a County-managed mobility project. In March 2020, the Agreement was amended and restated to include the Texas Heritage Parkway Improvement District (THPID). THPID will manage the construction of the proposed parkway from I-10 to approximately 2,100 feet south of FM 1093 (the "Project"). Upon completion of the Project, the County and the City shall maintain that portion of the Project within its own jurisdiction, and THPID shall maintain the landscaping and beautification related to the Project. The County will contribute 70 percent of 50 percent of the eligible Project costs for the County/City segment. At the time of the Agreement, the estimated County contribution was \$13,285,674. The City will contribute 30 percent of 50 percent of the eligible Project costs for the County/City segment. At the time of the Agreement, the estimated City contribution was \$5,693,860. The County will issue debt or otherwise finance an amount necessary to pay for the County contribution and the City contribution as these costs become due and payable. The City will make annual payments to the County of principal and interest payments equal to the City contribution amortized for a period of not more than 25 years at an interest rate not less than the County's interest costs and issuance costs, and with such other terms and payment structure as may be approved by the County Auditor and the City's Finance Director. The actual annual City payment schedule will be fixed when the County first makes payments pursuant to the Agreement. The final payment amounts are not known at this time.

Pension Plans:

Texas Municipal Retirement System

Plan Description: The City participates as one of over 900 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the "TMRS Act") as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees (the "Board"); however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided: TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest, and the City-financed monetary credits, with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

(Continued)

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2025

NOTE 4 - OTHER INFORMATION (Continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	2025	2024
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

Employees Covered by Benefit Terms: At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to, but not yet receiving, benefits	57
Active employees	99
Total	166

Contributions: Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City-matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.02% and 7.36% in calendar years 2025 and 2024, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2025 were \$679,097, which were more than the required contributions.

Net Pension Liability/(Asset): The City's Net Pension Liability/(Asset) (NPL/(A)) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the NPL/(A) was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The TPL in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

(Continued)

CITY OF FULSHEAR, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 For the year ended September 30, 2025

NOTE 4 - OTHER INFORMATION (Continued)

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global public equity	35%	7.1%
Core fixed income	6%	5.0%
Non-core fixed income	6%	6.8%
Hedge funds	5%	6.4%
Private equity	13%	8.5%
Private debt	13%	8.2%
Real estate	12%	6.7%
Infrastructure	6%	6.0%
Other private markets	<u>4%</u>	7.3%
 Total	 <u>100.00%</u>	

(Continued)

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2025

NOTE 4 - OTHER INFORMATION (Continued)

Discount Rate: The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, TMRS's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the NPL/(A):

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability <u>(A)</u>	Plan Fiduciary Net Position <u>(B)</u>	Net Pension Liability/(Asset) <u>(A) - (B)</u>
Changes for the year			
Service cost	\$ 1,018,432	\$ -	\$ 1,018,432
Interest	430,312	-	430,312
Changes in current period benefits	-	-	-
Differences between expected and actual experience	(121,419)	-	(121,419)
Changes in assumptions	-	-	-
Contributions - employer	-	581,748	(581,748)
Contributions - employee	-	523,423	(523,423)
Net investment income	-	599,663	(599,663)
Benefit payments, including refunds of employee contributions	(242,115)	(242,115)	-
Administrative expense	-	(3,803)	3,803
Other changes	-	(88)	88
Net Changes	1,085,210	1,458,828	(373,618)
Balance at December 31, 2023	5,986,835	5,706,215	280,620
Balance at December 31, 2024	<u>\$ 7,072,045</u>	<u>\$ 7,165,043</u>	<u>\$ (92,998)</u>

Sensitivity of the NPL/(A) to Changes in the Discount Rate: The following presents the NPL/(A) of the City, calculated using the discount rate of 6.75%, as well as what the City's NPL/(A) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability/(asset)	<u>\$ 1,062,439</u>	<u>\$ (92,998)</u>	<u>\$ (1,034,397)</u>

Pension Plan Fiduciary Net Position: Detailed information about TMRS's fiduciary net position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tmrs.com.

(Continued)

CITY OF FULSHEAR, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 For the year ended September 30, 2025

NOTE 4 - OTHER INFORMATION (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions: For the fiscal year ended September 30, 2025, the City recognized pension expense of \$503,944.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 36,651	\$ (121,838)
Changes in actuarial assumptions	2,502	(24,829)
Difference between projected and actual investment earnings	-	(116,928)
Contributions subsequent to the measurement date	514,014	-
Total	\$ 553,167	\$ (263,595)

\$514,014 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year ended September 30,</u>	<u>Pension Expense</u>
2026	\$ (42,395)
2027	7,782
2028	(104,912)
2029	(63,829)
2030	(20,089)
Thereafter	(999)
Total	\$ (224,442)

Other Postemployment Benefits:

TMRS - Supplemental Death Benefit

Plan Description: The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retiree. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

(Continued)

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2025

NOTE 4 - OTHER INFORMATION (Continued)

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Based on the net position effect of \$91,982 (total OPEB liability of \$91,982 as of the measurement date of December 31, 2024,) management has determined the effects of GASB 75 are not material to the financial statements and the amounts have not been recorded in the government-wide financial statements.

Developer Agreement/Municipal Utility District Contracts: The City has entered into multiple developer agreements (the "Agreements") and related utility agreements with several Municipal Utility Districts ("MUDs"), created by the developers, whose boundaries overlap the boundaries of the City. The MUDs construct water, sanitary sewer, public streets, and drainage facilities to serve the areas within the MUDs and issue bonds to finance such facilities. The MUDs release their security interests in the facilities to the City, and the City operates and maintains the systems via contracted third parties. The City's original Agreements with these MUDs state that the City is to rebate all property tax revenue collected but \$.10 per \$100 valuation of the property tax rate. On July 16, 2019, all Agreements for tax rebate payments were amended to a percentage of the property tax rate.

The rebate percentage is as follows:

<u>Property Tax Rate Per \$100 of Assessed Value</u>	<u>Tax Rebate Percentage</u>
\$0.219999 or less	0.06251%
\$0.22 - \$0.239999	0.07%
\$0.24 - \$0.259999	0.08%
\$0.26 - \$0.279999	0.09%
\$0.28 - \$0.299999	0.10%
\$0.30 or higher	0.11%

(Continued)

CITY OF FULSHEAR, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 For the year ended September 30, 2025

NOTE 4 - OTHER INFORMATION (Continued)

As part of the Agreements, the City had to deposit \$4,716,250 (the “Funds”) into a Cross Creek Ranch Reserve Account (the “CCR Reserve Account”). The Funds will be used solely to pay each work item that exceeds \$5,000 for repair, replacement, or rehabilitation of City water, sanitary sewer, storm sewer, and street facilities located within the project per the Agreements. Funds may only be payable to independent contractors of the City and shall not be used for City costs of overhead, administration, or employee salaries or benefits. The City is not required to deposit any Funds into the CCR Reserve Account, and all interest and investment earnings accrued on the Funds in the CCR Reserve Account shall solely be used for the permitted costs noted above. As of September 30, 2025, the CCR Reserve Account had a balance of \$431,172.

Per Article 11, Section 5, of the Texas Constitution and Section 26.012(7) of the Texas Tax Code, the annual payments constitute a debt of the City. Beginning with tax year 2019/fiscal year 2020, the City agreed to adopt and levy an interest and sinking tax rate sufficient to make annual payments.

The schedule below shows the MUDs with active Agreements currently receiving rebates from the City along with the final year each Agreement term ends:

<u>Entity</u>	<u>Agreement Terms*</u>	<u>2025 Expenditures</u>
Fulshear MUD No. 1	2048	\$ 370,812
Fort Bend County MUD No. 169	2055	163,318
Fort Bend County MUD No. 170	2045	603,283
Fort Bend County MUD No. 171	2040	364,030
Fort Bend County MUD No. 172	2044	716,860
Fort Bend County MUD No. 173	2047	<u>536,728</u>
Total		<u>\$ 2,755,031</u>

* The City shall not be required to pay the annual payment to the District once the District no longer owes any District debt service.

Regional Park Fund: During 2004, the City entered into an Agreement (the Agreement) with Firethorne LTD. (the “Developer”) whereby the Developer would pay a regional park fee for every lot per plat that the Developer finalized. The terms of the Agreement state that the regional park fees, plus interest earned, must be utilized in the development of a regional park within five years from the date the fees are paid to the City. Similar Agreements were signed with various developers, excluding the five-year utilization clause. During the fiscal year ended September 30, 2025, the City received \$1,119,387 in regional park fees.

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

Strategic Partnership Agreement: Effective June 21, 2016, the City and Waller County Road Improvement District No. 1 (the “District”) entered into a Strategic Partnership Agreement (the “Agreement”) under which the City annexed a tract of land (the “Tract”) within the boundaries of the District for the limited purpose of levying a sales and use tax on commercial activities within the Tract. The District continues to exercise all powers and functions of a road improvement district as provided by law with respect to the Tract. As consideration for the District providing services as detailed in the Agreement, the City agreed to remit a portion of sales tax payments by the City, and the District agreed to continue to develop, own, and to operate a water, wastewater, and drainage system within the District. The City agreed it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is through December 31, 2046. During the current year, the City remitted \$217,610 in sales tax revenue related to the Agreement.

Chapter 380 Economic Incentive Agreements:

Highland Homes – Houston, Ltd.: On April 1, 2015, the City entered into an economic development incentive agreement (the “Agreement”) with Highland Homes – Houston, Ltd. (the “Company”) in accordance with Chapter 380 of the Texas Local Government Code. The term of the Agreement is 10 years ending on March 31, 2025. The City has agreed to rebate 100% of the sales and use tax collections generated by the Company on a semi-annual basis. The Company will be engaged in the business of purchasing building materials for its use within the City. The Company will purchase items using a Texas Direct Payment Permit and generate local use tax revenue for the City. During fiscal year 2025, the City recognized no expenditures related to this Agreement in the current year.

Perry Homes, LLC: On January 1, 2018, the City entered into an economic development incentive agreement (the “Agreement”) with Perry Homes, LLC (the “Company”) in accordance with Chapter 380 of the Texas Local Government Code. The term of the Agreement is 10 years ending on December 31, 2028. The City has agreed to rebate 100% of the sales and use tax collections generated by the Company on a semi-annual basis. The Company will be engaged in the business of purchasing building materials for its use within the City. The Company will purchase items using a Texas Direct Payment Permit and generate local use tax revenue for the City. During fiscal year 2025, the City recognized expenditures of \$58,094 related to this Agreement.

MS Huggins: In November 2019, the City approved an economic development incentive agreement (the “Agreement”) with MS Huggins (the “Landowner”) in accordance with Chapter 380 of the Texas Local Government Code. The term of the Agreement is 30 years. The Landowner proposed to develop a mixed-use office space and commercial property that will include mixed use, retail space, and/or restaurants. The Landowner will convey land to the City for the purposes of the realignment and construction of Huggins Drive and parking and public access. In return, the City has agreed to make annual “grant” payments and provide a fee credit not to exceed a combined maximum reimbursement amount of \$1,350,000. The fee credit, up to a maximum amount of \$75,000, may be used by the Landowner to cover capital recovery fees and standard tap fees associated with initial development for new construction.

(Continued)

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2025

NOTE 4 - OTHER INFORMATION (Continued)

The minimum annual “grant” payment will be equal to the greater of i) \$20,000 or ii) the combined total of the annual sales and use tax payment and the annual property tax increment payment each according to the schedule below:

<u>Calendar Year</u>	<u>Percentage Amount</u>
2026-2028	70%
2029-2050	85%

The City also agrees that if the roadway paving and appurtenant utilities are not installed and open to the public between FM359 and Katy Fulshear Road within 48 months of the effective date of the Agreement, then interest in and to the roadway property shall automatically revert back to the Landowner; provided however, that the Agreement shall continue in full force and effect and; provided, however, that if the roadway property reverts back to the Landowner, the maximum reimbursement amount will be reduced to 50% of the original maximum reimbursement amount. The City agrees that if the roadway property reverts back to the Landowner, then the City shall either, at its sole discretion, i) pay the Landowner, within 45 days, an additional “grant” payment of \$278,348; or ii) cause the title of the property to be transferred back to the Landowner free and clear of all liens. During fiscal year 2025, the City recognized expenditures of \$20,000 related to this Agreement.

WSS-15 Fulshear Marketplace, LLC: In November 2019, the City approved an economic development incentive agreement (the “Agreement”) with WSS-15 Fulshear Marketplace, LLC (the “Developer”) in accordance with Chapter 380 of the Texas Local Government Code. The term of the Agreement is 30 years. The Developer proposed to develop a mixed-use residential and commercial property that will include mixed-use, retail space, and/or restaurants and will also reserve approximately 0.5 acre site for a future City Hall site. The Developer will convey land to the City for the purposes of the realignment and construction of Huggins Drive and providing regional drainage and an adjacent trail. In return, the City has agreed to make annual “grant” payments and provide a fee credit, up to a maximum amount equal to 285 standard connections multiplied by the standard connection fee to cover capital recovery fees and standard tap fees associated with initial development, for new construction not to exceed a combined maximum reimbursement amount of \$2,500,000.

For the calendar years 2020 through 2025, the annual “grant” payment amount will be the greater of i) \$20,000 or ii) the combined total of the annual sales and use tax payment and the annual property tax increment payment.

The minimum annual “grant” payment for the subsequent years will be equal to the combined total of the annual sales and use tax payment and the annual property tax increment payment each according to the schedule below:

<u>Calendar Year</u>	<u>Percentage Amount</u>
2026-2051	85%

(Continued)

CITY OF FULSHEAR, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2025

NOTE 4 - OTHER INFORMATION (Continued)

The City also agrees that if the roadway paving and appurtenant utilities are not installed and open to the public between FM359 and Katy Fulshear Road within 48 months of the effective date of the Agreement, then interest in and to the roadway property shall automatically revert back to the Developer; provided however, that the Agreement shall continue in full force and effect; and provided, however, that if the roadway property reverts back to the Developer, the maximum reimbursement amount will be reduced by the Developer's cost basis of the road property, which amount is equal to \$2.50 per square foot of land. During fiscal year 2025, the City recognized expenditures of \$20,000 related to this Agreement.

NOTE 5 – CHANGE WITHIN REPORTING ENTITY

The City reclassified the capital projects fund from major to a nonmajor governmental fund because its financial activity no longer met the major-fund thresholds established by GASB 34. The regional park fund's activity met the major fund threshold and was reclassified from a nonmajor governmental fund. The change within reporting entity did not affect the City's total fund balances or net position.

	Capital <u>Projects Fund</u>	Regional <u>Park Fund</u>	Governmental <u>Funds</u>
Fund balance, September 30, 2024, as previously presented	\$ 6,081,731	\$ -	\$ 10,553,566
Change from major to nonmajor fund	(6,081,731)	-	6,081,731
Change from nonmajor to major fund	-	7,337,015	(7,337,015)
Fund Balance, September 30, 2024, as adjusted	<u>\$ -</u>	<u>\$ 7,337,015</u>	<u>\$ 9,298,282</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FULSHEAR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the year ended September 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original Budget	Final Budget		Positive (Negative)
Revenues				
Property taxes	\$ 7,640,000	\$ 7,640,000	\$ 7,464,349	\$ (175,651)
Sales taxes	4,180,000	4,180,000	4,568,081	388,081
Franchise fees	1,090,000	1,090,000	1,108,781	18,781
Public improvement fees	500,000	500,000	589,168	89,168
Licenses and permits	1,896,800	1,896,800	2,789,153	892,353
Fines and forfeitures	674,100	674,100	779,961	105,861
Charges for services	870,500	870,500	1,843,971	973,471
Investment earnings	301,000	301,000	427,356	126,356
Intergovernmental	769,414	769,414	744,524	(24,890)
Other revenue	-	-	39,094	39,094
Total revenues	<u>17,921,814</u>	<u>17,921,814</u>	<u>20,354,438</u>	<u>2,432,624</u>
Expenditures				
Current				
General government	11,269,983	11,327,626	8,921,555	2,406,071
Permits and inspection	1,313,298	1,313,298	1,185,845	127,453
Public safety	5,154,762	5,154,762	4,837,732	317,030
Public works	4,254,532	4,347,982	3,599,209	748,773
Planning and development	200,508	200,508	179,741	20,767
Capital outlay	400,217	400,217	400,217	-
Debt Service				
Principal	193,778	193,778	193,778	-
Interest and fiscal charges	271,022	271,022	271,022	-
Total expenditures	<u>23,058,100</u>	<u>23,209,193</u>	<u>19,589,099</u>	<u>3,620,094</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,136,286)</u>	<u>(5,287,379)</u>	<u>765,339</u>	<u>6,052,718</u>
Other financing sources (uses)				
Transfers in	5,660,745	5,660,745	5,660,747	2
Transfers (out)	(1,650,000)	(1,650,000)	(350,000)	1,300,000
Total other financing sources (uses)	<u>4,010,745</u>	<u>4,010,745</u>	<u>5,310,747</u>	<u>1,300,002</u>
Net change in fund balance	<u>\$ (1,125,541)</u>	<u>\$ (1,276,634)</u>	6,076,086	<u>\$ 7,352,720</u>
Beginning fund balance			14,915,582	
Ending fund balance			<u>\$ 20,991,668</u>	

Notes to Required Supplementary Information:

- Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF FULSHEAR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - REGIONAL PARK FUND
For the year ended September 30, 2025

	Regional Park			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Investment earnings	\$ 80,000	\$ 80,000	\$ 141,399	\$ 61,399
Other revenue	<u>400,000</u>	<u>400,000</u>	<u>1,125,510</u>	<u>725,510</u>
Total revenues	<u>480,000</u>	<u>480,000</u>	<u>1,266,909</u>	<u>786,909</u>
Expenditures				
Capital outlay	<u>6,458,889</u>	<u>7,052,621</u>	<u>4,733,592</u>	<u>2,319,029</u>
Net change in fund balance	<u>\$ (5,978,889)</u>	<u>\$ (6,572,621)</u>	(3,466,683)	<u>\$ 3,105,938</u>
Beginning fund balance			<u>7,337,015</u>	
Ending fund balance			<u>\$ 3,870,332</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF FULSHEAR, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
For the year ended September 30, 2025

	Measurement Year									
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability										
Service cost	\$ 1,018,432	\$ 880,909	\$ 705,062	\$ 638,944	\$ 575,445	\$ 521,639	\$ 426,439	\$ 294,849	\$ 231,217	\$ 156,945
Interest (on the total pension liability)	430,312	363,184	284,996	225,711	175,040	131,826	104,412	75,604	51,368	36,771
Changes in benefit terms	-	-	-	-	-	-	-	60,200	-	-
Difference between expected and actual experience	(121,419)	35,008	(8,264)	17,713	18,149	(8,488)	(115,830)	47,429	(795)	(9,944)
Change of assumptions	-	(37,091)	-	-	-	14,328	-	-	-	25,851
Benefit payments, including refunds of employee contributions	(242,115)	(74,144)	(44,900)	(29,376)	(70,019)	(21,990)	(90,991)	(22,793)	(6,702)	(15,416)
Net change in total pension liability	1,085,210	1,157,866	936,894	852,992	698,615	637,315	324,030	455,289	275,088	194,207
Beginning total pension liability	5,986,835	4,828,969	3,892,075	3,039,083	2,340,468	1,703,153	1,379,123	923,834	648,746	454,539
Ending total pension liability	\$ 7,072,045	\$ 5,986,835	\$ 4,828,969	\$ 3,892,075	\$ 3,039,083	\$ 2,340,468	\$ 1,703,153	\$ 1,379,123	\$ 923,834	\$ 648,746
Plan fiduciary net position										
Contributions - employer	\$ 581,748	\$ 498,265	\$ 406,194	\$ 367,903	\$ 320,909	\$ 291,914	\$ 229,320	\$ 162,285	\$ 117,152	\$ 80,804
Contributions - employee	523,423	447,162	359,464	325,992	292,104	257,690	210,661	148,613	118,817	85,950
Net investment income	599,663	507,122	(286,994)	375,341	164,517	218,958	(32,888)	98,192	30,293	436
Benefit payments, including refunds of employee contributions	(242,115)	(74,144)	(44,900)	(29,376)	(70,019)	(21,990)	(90,991)	(22,793)	(6,702)	(15,416)
Administrative expense	(3,803)	(3,189)	(2,461)	(1,724)	(1,057)	(1,229)	(632)	(507)	(341)	(265)
Other	(88)	(22)	2,938	12	(41)	(37)	(31)	(27)	(18)	(13)
Net change in plan fiduciary net position	1,458,828	1,375,194	434,241	1,038,148	706,413	745,306	315,439	385,763	259,201	151,496
Beginning plan fiduciary net position	5,706,215	4,331,021	3,896,780	2,858,632	2,152,219	1,406,913	1,091,474	705,711	446,510	295,014
Ending plan fiduciary net position	\$ 7,165,043	\$ 5,706,215	\$ 4,331,021	\$ 3,896,780	\$ 2,858,632	\$ 2,152,219	\$ 1,406,913	\$ 1,091,474	\$ 705,711	\$ 446,510
Net pension liability	\$ (92,998)	\$ 280,620	\$ 497,948	\$ (4,705)	\$ 180,451	\$ 188,249	\$ 296,240	\$ 287,649	\$ 218,123	\$ 202,236
Plan fiduciary net position as a percentage of total pension liability	101.32%	95.31%	89.69%	100.12%	94.06%	91.96%	82.61%	79.14%	76.39%	68.83%
Covered Payroll	\$ 7,477,472	\$ 6,388,025	\$ 5,135,193	\$ 5,004,764	\$ 4,172,913	\$ 3,681,290	\$ 3,009,448	\$ 2,972,266	\$ 2,376,331	\$ 1,718,999
Net pension liability as a percentage of covered payroll	-1.24%	4.39%	9.70%	-0.09%	4.32%	5.11%	9.84%	9.68%	9.18%	11.76%

CITY OF FULSHEAR, TEXAS
 SCHEDULE OF CONTRIBUTIONS
 TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
 For the year ended September 30, 2025

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 665,006	\$ 556,835	\$ 474,025	\$ 359,860	\$ 346,680	\$ 313,516	\$ 270,698	\$ 201,087	\$ 148,255	\$ 105,268
Contributions in relation to actuarially determined contribution	679,097	572,198	484,756	395,763	369,240	313,516	270,698	201,087	148,255	105,268
Contribution deficiency (excess)	\$ (14,091)	\$ (15,363)	\$ (10,731)	\$ (35,903)	\$ (22,560)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 8,488,710	\$ 7,127,471	\$ 6,059,445	\$ 5,004,764	\$ 4,705,312	\$ 4,044,113	\$ 3,445,477	\$ 3,025,711	\$ 2,779,644	\$ 2,155,862
Contributions as a percentage of covered payroll	8.00%	8.03%	8.00%	7.91%	7.85%	7.75%	7.86%	6.65%	5.33%	4.88%

Notes to Required Supplementary Information:

- Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.
- Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19 years (longest amortization ladder)
Asset valuation method	10 year smoothed market; 12.00% soft corridor
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period ending December 31, 2022.
Mortality	"Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence)."

- Other Information: There were no benefit changes during the year.

COMBINING STATEMENTS AND SCHEDULES

Capital Projects Funds

Capital Projects Fund - The Capital Projects Fund is used to account for the Capital Improvement Program projects that are detailed in the program and funded either by the issuing of debt or annual budget allocations.

Special Revenue Funds

Special revenue funds account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

Fort Bend County Assistance District #7 Fund - The Fort Bend County Assistance District #7 Fund provides additional sales tax revenues from unincorporated areas of the City's extraterritorial jurisdiction area. These funds are collected via the State Comptroller and distributed to Fort Bend County, and the County remits one-half of the remittance to the City on a quarterly basis. The funds are required to be spent on projects in the area covered by District #7 or projects that benefit District #7.

Municipal Court Technology Fund - The Municipal Court Technology Fund is used to account for fees collected by the court for future improvements to the technology of the court facilities.

Municipal Court Building Security Fund - The Municipal Court Building Security Fund is used to account for fees collected by the court for future improvements to the security of the court facilities.

Judicial Efficiency Fund - The Judicial Efficiency Fund is used to account for fees collected by the court that are to be used for the purpose of improving the efficiency of the administration of justice.

Local Youth Diversion Fund - The Local Youth Diversion Fund is used to account for fees collected by the court that are to be used for programs and services for at-risk youths.

Child Safety Fund - The Child Safety Fund is used to account for fees collected by the court that are to be used for the purpose of providing child safety.

Police Department Donation Fund - The Police Department Donation Fund is used to account for donations collected that are to be used for the purpose of providing products and services for police operations.

The Federal Seizure Fund and the State Seizure Fund - The Federal Seizure Fund and the State Seizure Fund are used to account for seized funds collected that are to be used for the purpose of providing products and services for police activities that do not supplant operation budget.

CITY OF FULSHEAR, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2025

	Special Revenue Funds					
	Formerly Major Fund Capital Projects	Fort Bend Co. Assistance District #7	Municipal Court Technology	Municipal Court Building Security	Judicial Efficiency	Local Youth Diversion Fund
ASSETS						
Cash and cash equivalents	\$ 7,250,744	\$ 3,527,838	\$ 81,884	\$ 107,298	\$ 4,445	\$ 1,495
Accounts receivable	-	346,816	-	-	-	-
Total assets	<u>\$ 7,250,744</u>	<u>\$ 3,874,654</u>	<u>\$ 81,884</u>	<u>\$ 107,298</u>	<u>\$ 4,445</u>	<u>\$ 1,495</u>
LIABILITIES						
Accounts payable	\$ 526,226	-	-	-	-	-
Total liabilities	<u>\$ 526,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Restricted						
County Assistance District #7	-	3,874,654	-	-	-	-
Enabling legislation	-	-	81,884	107,298	4,445	1,495
Public safety	-	-	-	-	-	-
Assigned						
Capital projects	6,724,518	-	-	-	-	-
Total fund balances	<u>6,724,518</u>	<u>3,874,654</u>	<u>81,884</u>	<u>107,298</u>	<u>4,445</u>	<u>1,495</u>
Total liabilities and fund balances	<u>\$ 7,250,744</u>	<u>\$ 3,874,654</u>	<u>\$ 81,884</u>	<u>\$ 107,298</u>	<u>\$ 4,445</u>	<u>\$ 1,495</u>

(Continued)

CITY OF FULSHEAR, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2025

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Child Safety	Police Department Donation	Federal Seizure	State Seizure		
ASSETS						
Cash and cash equivalents	\$ 128,538	\$ 16,905	\$ 120,149	\$ 86,155	\$ 11,325,451	
Accounts receivable	-	-	-	-	346,816	
Total assets	<u>\$ 128,538</u>	<u>\$ 16,905</u>	<u>\$ 120,149</u>	<u>\$ 86,155</u>	<u>\$ 11,672,267</u>	
LIABILITIES						
Accounts payable	-	-	-	-	\$ 526,226	
Total liabilities	-	-	-	-	<u>\$ 526,226</u>	
FUND BALANCES						
Restricted						
County Assistance District #7	-	-	-	-	3,874,654	
Enabling legislation	128,538	-	-	-	323,660	
Public safety	-	16,905	120,149	86,155	223,209	
Assigned						
Capital projects	-	-	-	-	6,724,518	
Total fund balances	<u>128,538</u>	<u>16,905</u>	<u>120,149</u>	<u>86,155</u>	<u>11,146,041</u>	
Total liabilities and fund balances	<u>\$ 128,538</u>	<u>\$ 16,905</u>	<u>\$ 120,149</u>	<u>\$ 86,155</u>	<u>\$ 11,672,267</u>	

CITY OF FULSHEAR, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the year ended September 30, 2025

	Special Revenue Funds						
	Formerly Major Fund Capital Projects	Formerly Nonmajor Fund Regional Park	Fort Bend Co. Assistance District #7	Municipal Court Technology	Municipal Court Building Security	Judicial Efficiency	
Revenues							
Sales tax	\$ -		\$ 2,314,348	\$ -	\$ -	\$ -	
Fines and forfeitures	-		-	21,268	25,998	14	
Investment earnings	135,868		66,027	1,391	1,840	88	
Intergovernmental	1,750,000		-	-	-	-	
Total revenues	<u>1,885,868</u>		<u>2,380,375</u>	<u>22,659</u>	<u>27,838</u>	<u>102</u>	
Expenditures							
Current							
Public safety	-		-	-	-	-	
Capital outlay	2,240,581		355	-	-	-	
Total expenditures	<u>2,240,581</u>		<u>355</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(354,713)</u>		<u>2,380,020</u>	<u>22,659</u>	<u>27,838</u>	<u>102</u>	
Other financing sources (uses)							
Transfers in	997,500		-	-	-	-	
Transfers (out)	-		(1,247,500)	-	-	-	
Total other financing sources (uses)	<u>997,500</u>		<u>(1,247,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Net change in fund balance	642,787		1,132,520	22,659	27,838	102	
Fund balances, as previously presented	-	7,337,015	2,742,134	59,225	79,460	4,343	
Change within financial reporting entity	6,081,731	(7,337,015)	-	-	-	-	
Fund balances, as adjusted	<u>6,081,731</u>	<u>-</u>	<u>2,742,134</u>	<u>59,225</u>	<u>79,460</u>	<u>4,343</u>	
Ending fund balance	<u>\$ 6,724,518</u>	<u>\$ -</u>	<u>\$ 3,874,654</u>	<u>\$ 81,884</u>	<u>\$ 107,298</u>	<u>\$ 4,445</u>	

(Continued)

CITY OF FULSHEAR, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the year ended September 30, 2025

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Local Youth Diversion Fund	Child Safety	Police Department Donation	Federal Seizure	State Seizure	Total Nonmajor Governmental Funds	
Revenues							
Sales tax	-	-	-	-	-	-	\$ 2,314,348
Fines and forfeitures	1,495	26,970	-	-	-	-	75,745
Investment earnings	-	2,265	304	2,859	1,678	-	212,320
Intergovernmental	-	-	7,324	59,791	-	-	1,817,115
Total revenues	<u>1,495</u>	<u>29,235</u>	<u>7,628</u>	<u>62,650</u>	<u>1,678</u>	<u>1,678</u>	<u>4,419,528</u>
Expenditures							
Current							
Public safety	-	45	3,766	77,022	-	-	80,833
Capital outlay	-	-	-	-	-	-	2,240,936
Total expenditures	<u>1,495</u>	<u>29,190</u>	<u>3,862</u>	<u>(14,372)</u>	<u>1,678</u>	<u>1,678</u>	<u>2,321,769</u>
Excess (deficiency) of revenues over (under) expenditures							
	-	-	-	-	-	-	997,500
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	(1,247,500)
Transfers (out)	-	-	-	-	-	-	(250,000)
Total other financing sources (uses)	<u>1,495</u>	<u>29,190</u>	<u>3,862</u>	<u>(14,372)</u>	<u>1,678</u>	<u>1,678</u>	<u>1,847,759</u>
Net change in fund balance	-	99,348	13,043	134,521	84,477	-	10,553,566
Fund balances, as previously presented	-	-	-	-	-	-	(1,255,284)
Change within financial reporting entity	-	99,348	13,043	134,521	84,477	84,477	9,298,282
Fund balances, as adjusted	<u>1,495</u>	<u>128,538</u>	<u>16,905</u>	<u>120,149</u>	<u>86,155</u>	<u>86,155</u>	<u>\$ 11,146,041</u>

CITY OF FULSHEAR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – FORT BEND COUNTY ASSISTANCE DISTRICT #7
For the year ended September 30, 2025

Fort Bend County Assistance District #7				
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Sales tax	\$ 1,100,000	\$ 1,100,000	\$ 2,314,348	\$ 1,214,348
Investment earnings	50,000	50,000	66,027	16,027
Total revenues	1,150,000	1,150,000	2,380,375	1,230,375
Expenditures				
Capital Outlay	-	-	355	(355)
Excess of revenues over expenditures	1,150,000	1,150,000	2,380,020	1,230,020
Other financing sources (uses)				
Transfers (out)	(3,295,000)	(3,295,000)	(1,247,500)	2,047,500
Total other financing (uses)	(3,295,000)	(3,295,000)	(1,247,500)	2,047,500
Net change in fund balance	\$ (2,145,000)	\$ (2,145,000)	1,132,520	\$ 3,277,520
Beginning fund balance			2,742,134	
Ending fund balance			\$ 3,874,654	

Notes to Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF FULSHEAR, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - MUNICIPAL COURT TECHNOLOGY
 For the year ended September 30, 2025

	Municipal Court Technology			Variance with Final Budget Positive (Negative)
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	
Revenues				
Fines and forfeitures	\$ 15,000	\$ 15,000	\$ 21,268	\$ 6,268
Investment earnings	800	800	1,391	591
Total revenues	15,800	15,800	22,659	6,859
Net change in fund balance	\$ 15,800	\$ 15,800	22,659	\$ 6,859
Beginning fund balance			59,225	
Ending fund balance			\$ 81,884	

Notes to Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF FULSHEAR, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - MUNICIPAL COURT BUILDING SECURITY
 For the year ended September 30, 2025

	Municipal Court Building Security			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ 20,000	\$ 20,000	\$ 25,998	\$ 5,998
Investment earnings	1,100	1,100	1,840	740
Total revenues	21,100	21,100	27,838	6,738
 Net change in fund balance	 \$ 21,100	 \$ 21,100	 27,838	 \$ 6,738
 Beginning fund balance			 79,460	
 Ending fund balance			 \$ 107,298	

Notes to Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF FULSHEAR, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL – JUDICIAL EFFICIENCY
 For the year ended September 30, 2025

	Judicial Efficiency			Variance with Final Budget Positive (Negative)
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	
Revenues				
Fines and forfeitures	\$ 20	\$ 20	\$ 14	\$ (6)
Investment earnings	100	100	88	(12)
Total revenues	120	120	102	(18)
Net change in fund balance	\$ 120	\$ 120	102	\$ (18)
Beginning fund balance			4,343	
Ending fund balance			\$ 4,445	

Notes to Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF FULSHEAR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – CHILD SAFETY
For the year ended September 30, 2025

	Child Safety			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ 30,000	\$ 30,000	\$ 26,970	\$ (3,030)
Investment earnings	<u>2,000</u>	<u>2,000</u>	<u>2,265</u>	<u>265</u>
Total revenues	<u>32,000</u>	<u>32,000</u>	<u>29,235</u>	<u>(2,765)</u>
Expenditures				
Public safety	<u>10,000</u>	<u>10,000</u>	<u>45</u>	<u>9,955</u>
Net change in fund balance	<u>\$ 22,000</u>	<u>\$ 22,000</u>	29,190	<u>\$ 7,190</u>
Beginning fund balance			<u>99,348</u>	
Ending fund balance			<u>\$ 128,538</u>	

Notes to Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF FULSHEAR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – POLICE DEPARTMENT DONATION
For the year ended September 30, 2025

	Police Department Donation			Variance with Final Budget Positive (Negative)
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	
Revenues				
Investment earnings	\$ 100	\$ 100	\$ 304	\$ 204
Intergovernmental revenues	<u>77,700</u>	<u>77,700</u>	<u>7,324</u>	<u>(70,376)</u>
Total revenues	<u>77,800</u>	<u>77,800</u>	<u>7,628</u>	<u>(70,172)</u>
Expenditures				
Public safety	<u>-</u>	<u>-</u>	<u>3,766</u>	<u>(3,766) *</u>
Net change in fund balance	<u>\$ 77,800</u>	<u>\$ 77,800</u>	3,862	<u>\$ (73,938)</u>
Beginning fund balance			<u>13,043</u>	
Ending fund balance			<u>\$ 16,905</u>	

Notes to Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. *Expenditures exceed appropriations at the legal level of control.

CITY OF FULSHEAR, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL – FEDERAL SEIZURE
 For the year ended September 30, 2025

	Federal Seizure			Variance with Final Budget Positive (Negative)
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	
Revenues				
Investment earnings	\$ 2,500	\$ 2,500	\$ 2,859	\$ 359
Intergovernmental revenues	<u>-</u>	<u>-</u>	<u>59,791</u>	<u>59,791</u>
Total revenues	<u>2,500</u>	<u>2,500</u>	<u>62,650</u>	<u>60,150</u>
Expenditures				
Public safety	<u>80,000</u>	<u>80,000</u>	<u>77,022</u>	<u>2,978</u>
Net change in fund balance	<u>\$ (77,500)</u>	<u>\$ (77,500)</u>	(14,372)	<u>\$ 63,128</u>
Beginning fund balance			<u>134,521</u>	
Ending fund balance			<u>\$ 120,149</u>	

Notes to Supplementary Information:

- Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF FULSHEAR, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL – STATE SEIZURE
 For the year ended September 30, 2025

	State Seizure			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Investment earnings	\$ 2,500	\$ 2,500	\$ 1,678	\$ (822)
Total revenues	2,500	2,500	1,678	(822)
Expenditures				
Public safety	10,000	10,000	-	10,000
Net change in fund balance	\$ (7,500)	\$ (7,500)	1,678	\$ 9,178
Beginning fund balance			84,477	
Ending fund balance			\$ 86,155	

Notes to Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF FULSHEAR, TEXAS
 COMBINING STATEMENT OF NET POSITION
 DISCRETELY PRESENTED COMPONENT UNITS
 September 30, 2025

	Fulshear Development Corporation			City of Fulshear Development Corporation		
	General	Capital Projects	Total Governmental Funds	General	Capital Projects	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 3,796,405	\$ 1,920,746	\$ 5,717,151	\$ 3,105,372	\$ 2,016,042	\$ 5,121,414
Receivables, net	402,006	-	402,006	399,734	-	399,734
Total current assets	<u>4,198,411</u>	<u>1,920,746</u>	<u>6,119,157</u>	<u>3,505,106</u>	<u>2,016,042</u>	<u>5,521,148</u>
Noncurrent assets						
Capital assets						
Non-depreciable	-	805,246	805,246	-	805,246	805,246
Total capital assets, net	<u>-</u>	<u>805,246</u>	<u>805,246</u>	<u>-</u>	<u>805,246</u>	<u>805,246</u>
Total assets	<u>\$ 4,198,411</u>	<u>\$ 2,725,992</u>	<u>\$ 6,924,403</u>	<u>\$ 3,505,106</u>	<u>\$ 2,821,288</u>	<u>\$ 6,326,394</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 2,418	\$ 162	\$ 2,580	\$ 1,649	\$ 11,288	\$ 12,937
Total liabilities	<u>2,418</u>	<u>162</u>	<u>2,580</u>	<u>1,649</u>	<u>11,288</u>	<u>12,937</u>
NET POSITION						
Net investment in capital assets	-	805,246	805,246	-	805,246	805,246
Restricted for						
Economic development	<u>4,195,993</u>	<u>1,920,584</u>	<u>6,116,577</u>	<u>3,503,457</u>	<u>2,004,754</u>	<u>5,508,211</u>
Total net position	<u>\$ 4,195,993</u>	<u>\$ 2,725,830</u>	<u>\$ 6,921,823</u>	<u>\$ 3,503,457</u>	<u>\$ 2,810,000</u>	<u>\$ 6,313,457</u>

CITY OF FULSHEAR, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN NET POSITION
 DISCRETELY PRESENTED COMPONENT UNITS
 For the year ended September 30, 2025

	Fulshear Development Corporation			City of Fulshear Development Corporation		
	General	Capital Projects	Total Governmental Funds	General	Capital Projects	Total Governmental Funds
Revenues						
Sales tax	\$ 2,248,880	\$ -	\$ 2,248,880	\$ 2,248,879	\$ -	\$ 2,248,879
Other revenue	433	-	433	433	-	433
Investment earnings	69,520	40,009	109,529	65,776	41,866	107,642
Total revenues	<u>2,318,833</u>	<u>40,009</u>	<u>2,358,842</u>	<u>2,315,088</u>	<u>41,866</u>	<u>2,356,954</u>
Expenses						
General government	400,936	783,589	1,184,525	398,594	1,295,092	1,693,686
Total expenses	<u>400,936</u>	<u>783,589</u>	<u>1,184,525</u>	<u>398,594</u>	<u>1,295,092</u>	<u>1,693,686</u>
Income (loss) before transfers	<u>1,917,897</u>	<u>(743,580)</u>	<u>1,174,317</u>	<u>1,916,494</u>	<u>(1,253,226)</u>	<u>663,268</u>
Transfers						
Transfers in	-	625,000	625,000	-	1,125,000	1,125,000
Transfers (out)	(625,000)	-	(625,000)	(1,125,000)	-	(1,125,000)
Total transfers	<u>(625,000)</u>	<u>625,000</u>	<u>-</u>	<u>(1,125,000)</u>	<u>1,125,000</u>	<u>-</u>
Net change in net position	1,292,897	(118,580)	1,174,317	791,494	(128,226)	663,268
Beginning net position	<u>2,903,096</u>	<u>2,844,410</u>	<u>5,747,506</u>	<u>2,711,963</u>	<u>2,938,226</u>	<u>5,650,189</u>
Ending net position	<u>\$ 4,195,993</u>	<u>\$ 2,725,830</u>	<u>\$ 6,921,823</u>	<u>\$ 3,503,457</u>	<u>\$ 2,810,000</u>	<u>\$ 6,313,457</u>

STATISTICAL SECTION

CITY OF FULSHEAR, TEXAS
STATISTICAL SECTION
September 30, 2025

This part of the City's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and Required Supplementary Information says about the City's overall financial health.

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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

REVENUE CAPACITY..... 83

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DEBT CAPACITY..... 88

These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION 90

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

OPERATING INFORMATION..... 93

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

CITY OF FULSHEAR, TEXAS
NET POSITION BY COMPONENT
Last Ten Years
(Accrual Basis of Accounting)

	Fiscal Year									
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Governmental activities										
Net investment in capital assets	\$159,446,565	\$150,372,327	\$142,279,626	\$121,860,897	\$101,902,094	\$ 81,961,259	\$ 50,990,452	\$ 47,690,398	\$ 44,707,835	\$ 40,176,704
Restricted	8,291,855	10,553,566	6,106,516	4,776,289	3,424,584	2,134,108	1,725,467	927,779	539,487	1,564,928
Unrestricted	28,647,276	21,573,832	15,683,093	11,245,701	11,638,274	11,336,430	8,606,097	7,134,827	4,572,984	4,575,158
Total governmental activities net position	\$196,385,696	\$182,499,725	\$164,069,235	\$137,882,887	\$116,964,952	\$ 95,431,797	\$ 61,322,016	\$ 55,753,004	\$ 49,820,306	\$ 46,316,790
Business-type activities										
Net investment in capital assets	\$121,848,141	\$107,875,281	\$ 93,616,839	\$ 85,826,497	\$ 79,400,163	\$ 70,952,973	\$ 61,497,793	\$ 61,057,346	\$ 60,024,809	\$ 40,999,464
Restricted	431,172	886,537	3,416,356	3,574,044	3,806,195	4,043,437	4,482,831	-	-	727,922
Unrestricted	2,146,757	5,407,246	8,592,504	5,366,236	5,413,262	2,252,530	3,089,113	5,071,526	4,817,260	3,127,505
Total business-type activities net position	\$124,426,070	\$114,169,064	\$105,625,699	\$ 94,766,777	\$ 88,619,620	\$ 77,248,940	\$ 69,069,737	\$ 66,128,872	\$ 64,842,069	\$ 44,854,891
Primary government										
Net investment in capital assets	\$281,294,706	\$258,247,608	\$235,896,465	\$207,687,394	\$181,302,257	\$152,914,232	\$112,488,245	\$108,747,744	\$104,732,644	\$ 81,176,168
Restricted	8,723,027	11,440,103	9,522,872	8,350,333	7,230,779	6,177,545	6,208,298	927,779	539,487	2,292,850
Unrestricted	30,794,033	26,981,078	24,275,597	16,611,937	17,051,536	13,588,960	11,695,210	12,206,353	9,390,244	7,702,663
Total primary government net position	\$320,811,766	\$296,668,789	\$269,694,934	\$232,649,664	\$205,584,572	\$172,680,737	\$130,391,753	\$121,881,876	\$114,662,375	\$ 91,171,681

Source: City's Annual Financial Report or Annual Comprehensive Financial Report.

CITY OF FULSHEAR, TEXAS
CHANGES IN NET POSITION
 Last Ten Years
 (Accrual Basis of Accounting)

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Expenses										
Governmental activities										
General government	\$ 9,283,907	\$ 7,946,178	\$ 6,316,791	\$ 5,609,499	\$ 4,381,518	\$ 4,011,528	\$ 3,450,668	\$ 2,605,264	\$ 2,381,636	\$ 2,579,727
Permits and inspections	1,194,838	1,107,640	917,698	947,647	1,633,693	1,283,592	929,161	957,063	814,579	322,415
Public safety	5,130,707	4,568,619	3,962,073	3,504,355	3,632,495	3,142,266	2,550,149	2,688,730	2,156,611	1,669,998
Public works	9,454,264	8,646,760	7,635,700	6,381,492	6,733,998	6,613,905	5,145,507	3,547,933	3,366,308	2,150,127
Planning and development	193,054	116,736	163,793	309,614	166,557	215,222	276,116	401,682	-	-
Interest and fiscal agent fees	271,022	278,043	1,011,708	289,215	73,795	-	-	-	-	-
Total governmental activities expenses	25,527,792	22,663,976	20,007,763	17,041,822	16,622,056	15,266,513	12,351,601	10,200,672	8,719,134	6,722,267
Business-type activities										
Water and Wastewater	24,250,246	21,752,246	17,222,924	14,528,243	10,241,348	9,067,570	7,055,602	6,193,256	4,189,671	4,671,213
Total business-type activities expenses	24,250,246	21,752,246	17,222,924	14,528,243	10,241,348	9,067,570	7,055,602	6,193,256	4,189,671	4,671,213
Total primary government expenses	\$ 49,778,038	\$ 44,416,222	\$ 37,230,687	\$ 31,570,065	\$ 26,863,404	\$ 24,334,083	\$ 19,407,203	\$ 16,393,928	\$ 12,908,805	\$ 11,393,480
Program revenues										
Governmental activities										
Charges for services										
Permits and inspections	\$ 5,222,292	\$ 5,012,541	\$ 4,982,250	\$ 6,294,032	\$ 6,434,371	\$ 4,405,115	\$ 4,302,675	\$ 3,985,701	\$ 2,811,853	\$ 2,396,980
Public safety	855,706	729,509	716,855	560,295	346,257	187,935	349,532	305,589	216,794	170,117
Public works	-	-	105,864	90,324	819,759	845,716	666,155	925,845	747,132	666,506
Operating grants and contributions	2,561,639	7,783,641	476,834	566,583	911,915	1,231,506	500,238	267,975	268,355	28,133
Capital grants and contributions	8,254,315	13,228,579	24,954,680	16,825,249	19,346,141	33,504,918	5,253,705	4,469,274	4,791,180	15,565,852
Total governmental activities program revenues	16,893,952	26,754,270	31,236,483	24,336,483	27,858,443	40,175,190	11,072,305	9,954,384	8,835,314	18,827,588
Business-type activities										
Charges for services										
Water and wastewater	\$ 25,104,799	\$ 21,287,305	\$ 17,054,281	\$ 14,163,554	\$ 12,351,533	\$ 8,543,284	\$ 8,407,022	\$ 7,115,884	\$ 5,203,537	\$ 4,468,483
Operating grants and contributions	186,847	-	-	-	-	-	60,235	-	-	-
Capital grants and contributions	9,965,997	5,912,778	10,587,744	7,427,059	10,153,994	9,879,143	2,181,719	1,481,332	18,860,007	5,642,980
Total business-type activities revenues	35,257,643	27,200,083	27,642,025	21,590,613	22,505,527	18,422,427	10,648,976	8,597,216	24,063,544	10,111,463
Total primary government program revenues	\$ 70,515,286	\$ 53,954,353	\$ 58,878,508	\$ 45,927,096	\$ 50,363,970	\$ 58,597,617	\$ 21,721,281	\$ 18,551,600	\$ 32,898,858	\$ 28,939,051

(Continued)

CITY OF FULSHEAR, TEXAS
CHANGES IN NET POSITION
 Last Ten Years
 (Accrual Basis of Accounting)

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Net (expense) revenue	\$ (8,633,840)	\$ 4,090,294	\$ 11,228,720	\$ 7,294,661	\$ 11,236,387	\$ 24,908,677	\$ (1,279,296)	\$ (246,288)	\$ 116,180	\$ 12,105,321
Governmental activities	11,007,397	5,447,837	10,419,101	7,062,370	12,264,179	9,354,857	3,593,374	2,403,960	19,873,873	5,440,250
Business-type activities	2,373,557	9,538,131	21,647,821	14,357,031	23,500,566	34,263,534	2,314,078	2,157,672	19,990,063	17,545,571
Total primary government net (expense) revenue	\$ 2,373,557	\$ 9,538,131	\$ 21,647,821	\$ 14,357,031	\$ 23,500,566	\$ 34,263,534	\$ 2,314,078	\$ 2,157,672	\$ 19,990,063	\$ 17,545,571
General revenues and other changes in net position										
Governmental activities	\$ 7,464,349	\$ 6,666,132	\$ 5,741,607	\$ 4,992,206	\$ 4,424,409	\$ 3,886,465	\$ 2,452,597	\$ 2,155,867	\$ 1,834,115	\$ 1,574,219
Property taxes	1,108,781	1,009,306	1,046,744	912,795	3,408,918	742,168	706,927	647,039	514,470	384,885
Franchise fees	6,882,429	5,114,815	4,671,288	4,037,197	838,423	2,564,696	2,068,489	1,552,395	827,480	689,508
Sales tax	794,965	783,190	910,723	(132,894)	39,567	137,711	217,509	107,636	47,221	21,867
Net gain (loss) on investments	1,164,604	721,813	884,698	1,097,852	943,715	449,135	525,421	532,474	244,036	115,358
Other revenues	-	-	-	1,575,100	-	-	-	-	-	-
Gain on sale of capital assets	5,104,683	44,940	1,702,569	1,141,018	1,103,960	1,420,929	877,365	1,183,575	(79,986)	(1,270,494)
Transfers	22,519,811	14,340,196	14,957,629	13,623,274	10,758,992	9,201,104	6,848,308	6,178,986	3,387,336	1,515,343
Total governmental activities	4,199,437	3,140,468	2,022,594	75,388	22,516	116,838	158,651	77,531	33,319	13,814
Business-type activities	154,855	-	119,796	150,417	187,945	128,437	66,205	138,496	-	-
Investment earnings	(5,104,683)	(44,940)	(1,702,569)	(1,141,018)	(1,103,960)	(1,420,929)	(877,365)	(1,183,575)	79,986	1,270,494
Other revenues	(750,391)	3,095,528	439,821	(915,213)	(893,499)	(1,175,654)	(652,509)	(967,548)	113,305	1,284,308
Transfers	\$ 21,769,420	\$ 17,435,724	\$ 15,397,450	\$ 12,708,061	\$ 9,865,493	\$ 8,025,450	\$ 6,195,799	\$ 5,211,438	\$ 3,500,641	\$ 2,799,651
Total business-type activities	\$ 13,885,971	\$ 18,430,490	\$ 26,186,349	\$ 20,917,935	\$ 21,995,379	\$ 34,109,781	\$ 5,569,012	\$ 5,932,698	\$ 3,503,516	\$ 13,620,664
Changes in net position	10,257,006	8,543,365	10,858,922	6,147,157	11,370,680	8,179,203	2,940,865	1,436,412	19,987,178	6,724,558
Governmental activities	\$ 24,142,977	\$ 26,973,855	\$ 37,045,271	\$ 27,065,092	\$ 33,366,059	\$ 42,288,984	\$ 8,509,877	\$ 7,369,110	\$ 23,490,694	\$ 20,345,222
Business-type activities										
Total primary government										

Source: City's Annual Financial Report or Annual Comprehensive Financial Report.

CITY OF FULSHEAR, TEXAS
 FUND BALANCES - GOVERNMENTAL FUNDS
 Last Ten Years
 (Modified Accrual Basis of Accounting)

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,529	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	552	552	552	552	552	-	-	-
Unassigned	20,991,668	14,915,582	11,806,593	7,745,686	7,467,155	7,135,815	7,853,664	6,321,266	3,579,243	3,206,004
Total governmental fund	\$ 20,991,668	\$ 14,915,582	\$ 11,807,145	\$ 7,746,238	\$ 7,467,707	\$ 7,191,896	\$ 7,854,216	\$ 6,321,266	\$ 3,579,243	\$ 3,206,004
All other governmental funds										
Restricted	\$ 8,291,855	\$ 10,553,566	\$ 6,105,964	\$ 4,775,737	\$ 2,133,556	\$ 2,133,556	\$ 1,724,915	\$ 953,176	\$ 392,134	\$ 1,564,928
Assigned	6,724,518	6,081,731	3,102,006	3,101,588	4,039,013	4,039,013	676,915	833,515	1,274,680	1,440,178
Total all other governmental funds	\$ 15,016,373	\$ 16,635,297	\$ 9,207,970	\$ 7,877,325	\$ 6,172,569	\$ 6,172,569	\$ 2,401,830	\$ 1,786,691	\$ 1,666,814	\$ 3,005,106

Source: City's Annual Financial Report or Annual Comprehensive Financial Report.

CITY OF FULSHEAR, TEXAS
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 Last Ten Years
 (Modified Accrual Basis of Accounting)

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Revenues										
Property taxes	\$ 7,464,349	\$ 6,720,078	\$ 5,687,661	\$ 4,992,206	\$ 4,410,601	\$ 3,873,300	\$ 2,494,667	\$ 2,137,299	\$ 1,857,472	\$ 1,556,311
Sales taxes	6,882,429	5,114,815	4,671,288	4,037,197	3,408,918	2,564,696	2,068,489	1,526,998	827,480	689,508
Franchise fees	1,108,781	1,009,306	1,046,744	912,795	838,423	742,168	706,927	647,039	514,470	361,528
Public improvement fees	589,168	484,127	482,722	818,751	1,084,891	507,474	519,551	353,186	232,276	216,099
Licenses and permits	2,789,153	2,692,701	2,943,405	3,436,221	3,284,590	2,422,642	2,201,606	2,759,307	1,993,927	1,731,465
Fines and forfeitures	855,706	729,509	716,855	560,295	346,257	187,935	349,532	305,589	214,685	170,292
Charges for services	1,843,971	1,835,713	1,661,987	2,129,384	2,884,649	2,320,715	2,071,531	1,800,981	1,344,285	1,129,918
Intergovernmental	781,075	7,768,354	476,834	712,706	2,664,309	1,235,637	545,213	236,838	255,917	-
Net gain (loss) on investments	2,561,639	783,190	890,060	(136,236)	38,662	133,215	217,509	106,854	46,505	21,867
Other revenues	1,164,604	721,813	884,698	1,053,301	911,635	445,004	480,446	366,797	383,996	381,027
Total revenues	26,040,875	27,859,606	19,462,254	18,516,620	19,872,935	14,432,786	11,655,471	10,240,888	7,671,013	6,258,015
Expenditures										
General government	8,921,555	6,759,145	6,181,865	5,390,813	4,196,323	3,840,529	3,177,750	2,683,837	2,430,917	2,712,933
Permits and inspections	1,185,845	1,107,082	899,447	943,399	1,624,519	1,260,907	830,779	540,513	791,896	297,752
Public safety	4,918,565	4,351,317	3,776,614	3,363,814	3,490,181	3,041,849	2,545,620	2,367,813	2,157,402	1,579,291
Public works	3,599,209	3,076,957	2,402,946	2,200,245	3,146,114	2,954,915	2,791,761	2,218,008	1,872,025	740,437
Planning and development	179,741	98,032	163,462	309,457	166,260	215,596	276,522	401,682	-	-
Capital outlay	7,374,745	1,511,449	1,155,769	7,863,647	15,138,302	888,680	762,085	376,107	1,303,840	539,920
Debt service										
Principal	193,778	186,757	181,460	175,586	42,405	-	-	-	-	-
Interest	271,022	278,043	1,011,708	289,215	73,795	-	-	-	-	-
Total expenditures	26,644,460	17,368,782	15,773,271	20,536,176	27,877,899	12,202,476	10,384,717	8,587,960	8,556,080	5,870,333
Excess (deficiency) of revenues over (under) expenditures	(603,585)	10,490,824	3,688,983	(2,019,556)	(8,004,964)	2,230,310	1,270,754	1,652,928	(885,067)	387,682
Other financing sources (uses)										
Issuance of debt	-	-	-	-	8,900,000	-	-	-	-	-
Sale of capital assets	-	-	-	1,600,100	-	-	-	-	-	-
Transfers in	6,658,247	6,499,447	2,620,895	7,553,518	1,477,474	4,989,359	1,202,365	1,378,575	1,140,928	1,707,760
Transfer out	(1,597,500)	(6,454,507)	(918,326)	(6,412,500)	(372,750)	(4,111,250)	(325,000)	(195,000)	(1,220,914)	(2,978,254)
Total other financing sources (uses)	5,060,747	44,940	1,702,569	2,741,118	10,004,724	878,109	877,365	1,183,575	(79,986)	(1,270,494)
Net change in fund balances	\$ 4,457,162	\$ 10,535,764	\$ 5,391,552	\$ 721,562	\$ 1,999,760	\$ 3,108,419	\$ 2,148,119	\$ 2,836,503	\$ (965,053)	\$ (882,812)
Debt service as a percentage of noncapital expenditures	2.40%	2.83%	7.86%	3.67%	0.91%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: City's Annual Financial Report or Annual Comprehensive Financial Report.

CITY OF FULSHEAR, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 Last Ten Years

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
One to three family residences	\$4,641,520,511	\$4,238,513,686	\$3,248,598,787	\$2,246,441,939	\$1,873,004,915	\$1,577,410,200	\$1,391,292,963	\$1,149,298,638	\$ 926,516,590	\$ 816,201,256
Agriculture value	100,605,074	105,977,232	90,584,220	97,869,860	109,025,310	131,838,530	135,634,040	122,805,510	107,753,270	82,898,180
Commercial property	1,575,363,855	1,043,099,928	944,260,252	844,001,220	749,747,445	611,963,722	460,680,152	456,557,613	269,791,580	209,501,120
Personal property value	57,631,767	58,935,086	47,371,132	53,820,390	36,855,590	61,917,738	28,305,001	38,591,624	36,613,901	14,580,274
Less: tax exempt property	(1,346,402,441)	(1,523,644,503)	(1,252,646,826)	(798,745,061)	(632,488,088)	(615,166,327)	(507,459,167)	(421,315,214)	(287,313,916)	(241,737,243)
Total taxable assessed valuation	<u>\$5,028,718,766</u>	<u>\$3,922,881,429</u>	<u>\$3,078,167,565</u>	<u>\$2,443,388,348</u>	<u>\$2,136,145,172</u>	<u>\$1,767,963,863</u>	<u>\$1,508,452,989</u>	<u>\$1,345,938,171</u>	<u>\$1,053,361,425</u>	<u>\$ 881,443,587</u>
Total direct tax rate	\$ 0.16186	\$ 0.16877	\$ 0.18057	\$ 0.20305	\$ 0.20707	\$ 0.21851	\$ 0.16251	\$ 0.15869	\$ 0.15690	\$ 0.16163

The value is the appraised value at original certification and fluctuates due to property owner protests and preliminary appraisal values at the time of certification.

All properties are assessed at 100% of actual taxable value. The difference between market value is the value of exemptions given for statutory purposes.

Tax rates are per \$100 of assessed value.

Source: County Tax/Assessor Reports.

CITY OF FULSHEAR, TEXAS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Years

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City of Fulshear:										
Operating tax rate	\$ 0.161856	\$ 0.168767	\$ 0.180572	\$ 0.203051	\$ 0.207070	\$ 0.218510	\$ 0.162510	\$ 0.158690	\$ 0.156900	\$ 0.161630
Total direct tax rate	\$ 0.161856	\$ 0.168767	\$ 0.180572	\$ 0.203051	\$ 0.207070	\$ 0.218510	\$ 0.162510	\$ 0.158690	\$ 0.156900	\$ 0.161630
Lamar Consolidated School District	1.149200	1.149200	1.242000	1.242000	1.269100	1.320000	1.390050	1.390050	1.390050	1.390050
Katy Independent School District	1.117100	1.117100	1.304800	1.351700	1.388800	1.443100	1.516600	1.516600	1.516600	1.516600
Fort Bend County	0.518628	0.426500	0.438300	0.438300	0.435876	0.444700	0.445000	0.453000	0.458000	0.465000
Total direct and overlapping rates	2.946784	2.861567	3.165672	3.235051	3.300846	3.426310	3.514160	3.518340	3.521550	3.533280
Total assessed valuation	\$5,028,718,766	\$3,922,881,429	\$3,078,167,565	\$2,443,388,348	\$2,136,145,172	\$1,767,963,863	\$1,508,452,989	\$1,345,938,171	\$1,053,361,425	\$881,443,587

Overlapping rates are those of local and county governments that apply within the City of Fulshear. Not all overlapping rates apply to all City of Fulshear property owners (e.g., the county rates apply only to the portion of the City's property owners whose property is located within the geographic boundaries of the specific county).

Tax rates per \$100 of assessed valuation.
Source: Tax department records of the various governments.

CITY OF FULSHEAR, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago*

	2025			2018		
	Taxable Assessed Valuation	Rank	% of Total Assessed Value	Taxable Assessed Value	Rank	% of Total Assessed Value
Property Tax Payer						
CCR 21 LLC	\$ 52,475,000	1	1.04%	\$ -	0	0.00%
Greenhouse 15 LLC	49,000,000	2	0.97%	-	0	0.00%
Broadstone Cross Creek Owner LP	26,288,368	3	0.52%	-	0	0.00%
Alders at Cross Creek Property LP	23,660,470	4	0.47%	-	0	0.00%
HEB Grocery Company LP	17,563,787	5	0.35%	-	0	0.00%
TPHTL Rogers LLC	10,964,867	6	0.22%	-	0	0.00%
Securcare Moveit McAllen LLC	10,652,954	7	0.21%	-	0	0.00%
Cross Creek Shoppes LLC	8,788,728	8	0.17%	-	0	0.00%
RK CCR Phase 1 LLC	8,490,862	9	0.17%	-	0	0.00%
Stefano-Ratcliff LP	8,389,831	10	0.17%	-	0	0.00%
CCOC LLC	-	0	0.00%	42,799,809	1	3.18%
CCR Loan Subsidiary 1 LP	-	0	0.00%	21,094,050	2	1.57%
DHK Fulshear LP	-	0	0.00%	14,357,210	3	1.07%
Trendmaker Homes	-	0	0.00%	12,655,470	4	0.94%
Landmark Industries	-	0	0.00%	12,202,394	5	0.91%
Taylor Morrison of Texas INC	-	0	0.00%	9,274,210	6	0.69%
TLM-CCR Phase II LLC	-	0	0.00%	7,413,590	7	0.55%
CCR Texas Holding LP	-	0	0.00%	7,037,120	8	0.52%
A-S 132 S Fry Road - FM1463LP	-	0	0.00%	6,971,660	9	0.52%
Texas Petroleum	-	0	0.00%	5,374,450	10	0.40%
Subtotal	<u>216,274,867</u>		<u>4.30%</u>	<u>139,179,963</u>		<u>10.34%</u>
Other taxpayers	<u>4,812,443,899</u>		<u>95.70%</u>	<u>1,206,758,208</u>		<u>89.66%</u>
Total taxable assessed value*	<u>\$5,028,718,766</u>		<u>100.00%</u>	<u>\$1,345,938,171</u>		<u>100.00%</u>

*Data from nine years ago is not available. Latest data available is for fiscal year 2018 (tax year 2017). Taxable assessed value equals appraised value after exemptions.

Source: Fort Bend County Appraisal District
Note: Fiscal year 2018 was the first year for Annual Comprehensive Financial Report.

CITY OF FULSHEAR, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Years

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Tax Rate</u>	<u>Total Net</u>		<u>Collected Within the</u>		<u>Collections in</u>		<u>Total Collections to Date</u>	
			<u>Tax Levy for</u>	<u>Fiscal Year of the Levy</u>	<u>Amount</u>	<u>Percentage</u>	<u>Subsequent</u>	<u>Amount</u>	<u>Amount</u>	<u>Percentage</u>
			<u>Fiscal Year</u>	<u>Collected</u>	<u>of Levy</u>	<u>Years</u>	<u>Collected</u>	<u>Collected</u>	<u>of Levy</u>	
2016	2015	\$ 0.161630	\$ 1,508,966	\$ 1,499,858	99.40%	\$ 8,636	\$ 1,508,494	99.97%		
2017	2016	0.156900	1,853,487	1,824,840	98.45%	27,402	1,852,242	99.93%		
2018	2017	0.158690	2,120,728	2,086,847	98.40%	31,616	2,118,463	99.89%		
2019	2018	0.162510	2,493,974	2,431,495	97.49%	59,198	2,490,693	99.87%		
2020	2019	0.218510	3,880,095	3,831,672	98.75%	41,156	3,872,828	99.81%		
2021	2020	0.207070	4,413,199	4,389,959	99.47%	13,363	4,403,322	99.78%		
2022	2021	0.203051	4,965,326	4,938,922	99.47%	20,251	4,959,173	99.88%		
2023	2022	0.180572	5,637,002	5,625,977	99.80%	1,209	5,627,186	99.83%		
2024	2023	0.168767	6,646,344	6,631,449	99.78%	(2,402)	6,629,047	99.74%		
2025	2024	0.161856	7,461,985	7,428,346	99.55%	-	7,428,346	99.55%		

Tax rate per \$100 assessed valuation
Source: City Finance Department and Fort Bend County Tax Office

CITY OF FULSHEAR, TEXAS
TAXABLE SALES BY CATEGORY
Last Ten Years
(In Thousands of Dollars)

	Calendar Year									
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Agriculture/Forestry/ Fishing/Hunting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,422,194	\$ 1,172,402	\$ 7,970	\$ -	\$ -
Public Administration	-	-	-	-	1,027,691	1,422,194	1,172,402	898,342	565,074	-
Admin/Support/Waste Mgmt/Remediation	966,544	2,313,591	1,900,069	1,795,060	1,546,945	801,944	918,533	836,334	797,500	717,120
Retail Trade	45,385,842	92,331,059	94,618,124	95,971,760	89,356,494	77,802,414	71,323,453	67,927,896	49,982,542	45,332,799
Education Services	93,857	323,020	268,381	237,998	242,020	85,440	84,961	34,547	-	-
Construction	655,169	1,444,684	3,971,010	1,872,780	3,644,418	4,015,171	2,694,143	4,219,686	2,705,618	3,213,700
Manufacturing	1,425,231	2,341,944	2,328,796	4,192,392	1,345,480	1,956,639	1,393,917	1,168,178	1,154,776	821,844
Mining/Quarrying/Oil and Gas Extraction	86,313	130,927	344,780	380,908	18,086	30,988	16,351	-	-	-
Wholesale Trade	834,977	2,258,702	2,972,419	2,160,271	1,761,288	2,136,860	3,876,199	3,485,625	901,333	914,379
Transportation/Warehousing	137,760	275,846	52,263	-	79,182	53,904	-	38,839	35,725	28,541
Information	41,747	130,640	34,360	97,749	26,876	270,242	79,391	68,933	-	-
Arts/Entertainment/Recreation	132,048	207,874	142,120	258,873	231,856	167,948	504,284	588,990	492,043	122,357
Real Estate/Rental/Leasing	135,864	118,532	53,815	103,312	68,278	601,958	1,169,951	1,164,401	995,769	825,650
Other Services (except Public Administration)	2,905,322	5,279,002	3,822,592	3,211,148	2,397,951	1,690,714	2,344,643	2,277,977	1,905,629	1,178,494
Accommodation/Food Services	30,974,063	58,873,699	51,448,008	40,304,879	29,926,197	17,435,846	18,543,452	15,784,354	13,417,178	11,857,090
Health Care Social Assistance	96,272	195,342	48,235	-	-	-	-	-	-	-
Professional/Scientific/ Technical Services	825,201	1,566,079	1,687,763	2,470,004	1,811,963	848,539	835,549	648,247	353,454	389,462
Total taxable sales	\$ 84,696,210	\$ 167,790,941	\$ 163,692,735	\$ 153,057,134	\$ 133,484,725	\$ 109,320,801	\$ 104,957,229	\$ 99,150,319	\$ 73,306,641	\$ 65,401,436
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

The City direct sales tax rate includes the City only.

Source: State Comptrollers' Office

CITY OF FULSHEAR, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Years

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Governmental activities										
Notes payable	\$ 8,109,925	\$ 8,303,703	\$ 8,490,460	\$ 8,682,009	\$ 8,857,595	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities										
Certificates of obligation	82,350,509	37,650,717	37,846,337	-	-	-	-	-	-	-
Lease payable	2,076,707	263,680	421,823	573,778	719,784	-	-	-	-	-
Total primary government	<u>\$ 92,537,141</u>	<u>\$ 46,218,100</u>	<u>\$ 46,758,620</u>	<u>\$ 9,255,787</u>	<u>\$ 9,577,379</u>	<u>\$ -</u>				
Debt as a percentage of personal income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Debt per capita	<u>\$ 1,694</u>	<u>\$ 1,085</u>	<u>\$ 1,365</u>	<u>\$ 368</u>	<u>\$ 568</u>	<u>\$ -</u>				

N/A - This information is currently not available.

Notes:
Additional information about the City's outstanding debt is included in the notes to the financial statements.
This schedule presents debt net of related premiums, discounts and adjustments.

CITY OF FULSHEAR, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2025

	<u>Debt</u> <u>Outstanding</u>	<u>Estimated</u> <u>Percentage</u> <u>Applicable*</u>	<u>Amount</u> <u>Applicable to</u> <u>Primary</u> <u>Governmental</u>
Government Unit			
Katy Independent School District	\$ 2,379,055,000	7.27%	\$ 172,957,299
Lamar Consolidated Independent School District	3,112,195,000	3.48%	108,304,386
Fort Bend County	979,059,190	21.00%	205,602,430
Fort Bend County MUD #170	34,100,000	100.00%	34,100,000
Fort Bend County MUD #171	13,815,000	100.00%	13,815,000
Fort Bend County MUD #172	32,725,000	100.00%	32,725,000
Fort Bend County MUD #173	23,350,000	100.00%	23,350,000
Fulshear MUD#1	55,785,000	100.00%	55,785,000
Fulshear MUD #2	17,520,000	100.00%	17,520,000
Fulshear MUD #3A	91,555,000	100.00%	<u>91,555,000</u>
Subtotal, overlapping debt			755,714,115
City Direct Debt	\$ 8,109,925	100.00%	<u>\$ 8,109,925</u>
Total Direct and Overlapping Debt			<u>\$ 763,824,040</u>
Ratio of Total Direct and Overlapping Net Debt to Assessed Valuation (1)			<u>15.19%</u>
Direct and Overlapping Debt Per Capita (2)			<u>\$ 13,982</u>

Source: Texas Municipal Advisory Council

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire burden borne by the property taxpayers should be taken into account.

(1) See Schedule of Assessed Value and Estimated Actual Value of Taxable Property for valuation data.

(2) See the Schedule of Demographic and Economic Statistics for population data.

CITY OF FULSHEAR, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Years
 September 30, 2025

<u>Fiscal Year</u>	<u>Population⁽¹⁾</u>	<u>Personal Income⁽²⁾</u>	<u>Per Capita Personal Income⁽²⁾</u>	<u>Median Age⁽⁶⁾</u>	<u>Public School Enrollment⁽³⁾</u>	<u>Unemployment Rate⁽⁴⁾</u>	<u>Education Level in Years of Formal Schooling⁽⁵⁾</u>
2016	7,914	N/A	\$ 56,203	34.0	N/A	4.7%	14
2017	10,044	N/A	\$ 56,203	34.0	N/A	4.1%	14
2018	11,174	N/A	\$ 56,203	34.0	7,139	3.9%	14
2019	14,141	N/A	\$ 56,203	34.4	9,034	4.0%	14
2020	13,914	N/A	\$ 55,414	35.6	9,360	8.5%	14
2021	16,856	N/A	\$ 55,414	35.6	9,946	4.4%	14
2022	25,169	N/A	\$ 59,339	37.7	12,728	4.9%	14
2023	34,264	N/A	\$ 60,425	37.9	14,696	4.9%	14
2024	42,616	N/A	\$ 62,708	38.4	17,488	4.9%	14
2025	54,629	N/A	\$ 65,628	37.4	15,392	3.7%	14

Data sources:

- (1) United States Census Bureau, Public Data
- (2) Data to compute not available
- (3) United States Census Bureau/Katy and Lamar ISDs' figures
- (4) United States Census Bureau, American Fact Finder (some data not available)/St. Louis Federal Reserve
- (5) Katy ISD and Lamar Consolidated ISD
- (6) United States Census Bureau, Public Data

Note: Personal income is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the start of the school year.

CITY OF FULSHEAR, TEXAS
 PRINCIPAL EMPLOYERS
 Current Year and Nine Years Ago*
 September 30, 2025

<u>Employer</u>	<u>2025</u>			<u>2018</u>		
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Rank</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Rank</u>
Katy ISD	650	26.67%	1	201	19.36%	3
Lamar Consolidated ISD	564	23.14%	2	368	35.45%	1
HEB #65	490	20.11%	3	325	31.31%	2
Local Table	105	4.31%	4	-	0.00%	0
City of Fulshear	82	3.36%	5	56	5.39%	4
Emergency Services						
District #4	74	3.04%	6	20	1.93%	6
Molina's Cantina	61	2.50%	7	-	0.00%	0
Saltgrass Steakhouse	56	2.30%	8	-	0.00%	0
Orleans Seafood	52	2.13%	9	-	0.00%	0
Pier 36	43	1.76%	10	14	1.35%	7
Children's Lighthouse	32	1.31%	0	-	0.00%	0
USPS	35	1.44%	0	-	0.00%	0
Civil Corp	32	1.31%	0	20	1.93%	5
Victor's Mexican Restaurant	26	1.07%	0	-	0.00%	0
Dollar General	22	0.90%	0	-	0.00%	0
Ace Hardware	18	0.74%	0	12	1.16%	9
Doziers	15	0.62%	0	-	0.00%	0
First Watch	24	0.98%	0	14	1.35%	8
Waggin' Tails Pet Ranch	45	1.85%	0	8	0.77%	10
Landmark Industries						
(Timewise)	<u>11</u>	<u>0.45%</u>	0	<u>-</u>	<u>0.00%</u>	0
	<u>2,437</u>	<u>100.00%</u>		<u>1,038</u>	<u>100.00%</u>	

Source: Personnel department of each employer above

Note: Fiscal year 2018 is the first year for Annual Comprehensive Financial Report.

CITY OF FULSHEAR, TEXAS
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
 Last Ten Years

	Fiscal Year									
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Governmental activities										
Administrative	3	3	3	1	2	3	6	7	5	5
City Secretary	2	2	2	-	-	-	-	-	-	-
City Attorney	2	2	2	-	-	-	-	-	-	-
Human Resources	3	3	3	2	2	1	1	-	-	-
Municipal Court	2	2	2	2	1	2	2	2	2	2
Finance	7	7	4	4	4	5	3	3	3	2
Economic Development	2	2	2	2	2	2	2	2	2	2
Public Safety	41	38	30	27	27	27	26	24	22	18
Information Technology	5	4	3	1	1	-	-	-	-	-
Communications	2	1	1	1	1	-	-	-	-	-
Development Services	7	8	6	6	5	5	10	1	1	1
Building Inspection	4	4	5	5	5	5	-	9	7	6
Code Enforcement	2	2	2	1	1	1	1	1	1	1
Public Works	18	14	10	7	5	4	4	3	3	3
Business-type activities										
Utilities	11	7	7	9	9	6	3	3	3	2
Total city positions	<u>111</u>	<u>99</u>	<u>82</u>	<u>68</u>	<u>65</u>	<u>61</u>	<u>58</u>	<u>55</u>	<u>49</u>	<u>42</u>

Source: City Finance Department

Note: City Council members are not full-time paid employees and fire services are provided by the Emergency Medical District.

CITY OF FULSHEAR, TEXAS
OPERATING INDICATORS BY FUNCTION
Last Ten Years

Function	Fiscal Year									
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Police										
Arrests	207	311	251	183	201	133	268	381	403	273
Parking violations	189	129	264	148	99	10	15	6	5	22
Traffic violations	16,386	12,499	16,317	13,137	12,818	8,861	10,753	9,708	9,300	6,069
Highways and streets										
Street resurfacing (miles)	1	-	-	-	-	-	-	-	1	-
Potholes repaired	90	180	30	30	25	40	35	10	4	7
Miles of centerline maintained	123	121	220	205	185	135	-	-	-	-
Linear feet of pavement markings	23,200	13,200	13,200	5,850	5,280	5,280	-	-	-	-
Water										
Average daily consumption (thousands of gallons)	4,256	3,795	3,910	2,801	2,225	2,221	1,468	1,328	1,224	1,046
Water main breaks	5	24	2	2	2	23	2	4	2	2
New connections	492	814	1,091	799	1,198	729	751	-	688	569
Wastewater										
Average daily effluent treated (thousand of gallons)	2,386	3,997	2,675	2,200	1,256	1,400	1,099	789	548	416

Source: Various City departments

Note: Some indicators are not available for the general government function

CITY OF FULSHEAR, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Years

Function	Fiscal Year									
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	28	18	14	15	15	15	12	12	12	10
Highways and streets										
Street (lane miles)	266	262	205	205	185	135	89	89	89	89
Streetlights	2,807	2,307	2,307	2,007	146	146	-	146	146	-
Culture and recreation										
Park acreage developed	50	25	25	25	25	25	25	25	25	25
Water										
Water wells	7	7	7	7	7	7	6	4	4	4
Water mains (miles)	120	116	116	110	94	79	54	49	49	49
Fire hydrants	1,475	1,391	1,200	1,149	992	985	706	641	641	641
Maximum daily capacity (thousand of gallons)	4,529	2,595	2,801	2,801	2,801	2,143	1,765	1,745	1,745	1,745
Sewer										
Sanitary sewers (miles)	86	82	120	120	115	95	50	45	45	45
Storm sewers (miles)	85	81	100	100	90	73	37	34	34	34
Maximum daily treatment capacity (thousand of gallons)	2,700	2,700	2,000	2,000	2,000	2,100	2,100	2,100	2,100	2,100

Source: Various City departments

Note: No capital asset indicators are available for the general government function.