

**Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas**

Independent Auditor's Report and Financial Statements

September 30, 2021



**Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas
September 30, 2021**

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Independent Auditor's Report

Board of Directors
Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas (the District), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BRD, LLP

Houston, Texas
February 14, 2022

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Management's Discussion and Analysis

September 30, 2021

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Management's Discussion and Analysis (Continued)

September 30, 2021

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Management's Discussion and Analysis (Continued)

September 30, 2021

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 8,064,058	\$ 7,704,451
Capital assets	<u>18,208,758</u>	<u>16,766,038</u>
Total assets	<u>26,272,816</u>	<u>24,470,489</u>
Deferred outflows of resources	<u>473,893</u>	<u>568,182</u>
Total assets and deferred outflows of resources	<u>\$ 26,746,709</u>	<u>\$ 25,038,671</u>
Long-term liabilities	\$ 14,947,357	\$ 14,123,032
Other liabilities	<u>1,025,889</u>	<u>1,154,950</u>
Total liabilities	<u>15,973,246</u>	<u>15,277,982</u>
Net position:		
Net investment in capital assets	3,715,752	3,211,188
Restricted	1,123,743	1,142,124
Unrestricted	<u>5,933,968</u>	<u>5,407,377</u>
Total net position	<u>\$ 10,773,463</u>	<u>\$ 9,760,689</u>

The total net position of the District increased by \$1,012,774, or about 10 percent. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Management's Discussion and Analysis (Continued)

September 30, 2021

Summary of Changes in Net Position

	<u>2021</u>	<u>2020</u>
Revenues:		
Property taxes	\$ 2,649,835	\$ 2,560,821
Sales tax rebates	79	3,281
Charges for services	3,749,128	3,792,113
Other revenues	257,534	191,935
	<u>6,656,576</u>	<u>6,548,150</u>
Total revenues		
Expenses:		
Services	4,390,909	4,389,926
Depreciation	632,162	571,889
Debt service	620,731	522,168
	<u>5,643,802</u>	<u>5,483,983</u>
Total expenses		
Change in net position	1,012,774	1,064,167
Net position, beginning of year	9,760,689	8,696,522
Net position, end of year	<u>\$ 10,773,463</u>	<u>\$ 9,760,689</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended September 30, 2021, were \$7,059,753, an increase of \$481,552 from the prior year.

The general fund's fund balance increased by \$506,158, primarily due to property taxes and service revenues in excess of service operation expenditures. In addition, tap connection and inspection fee revenues exceeded related tap connection expenditures.

The water plant fund's fund balance decreased by \$30,964 due to a decrease in the District's share of the operating reserve.

The wastewater plant fund's fund balance increased by \$4,360 due to an increase in the District's share of the operating reserve.

The debt service fund's fund balance increased by \$1,998, because property tax revenues generated were greater than bond principal and interest requirements.

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Management's Discussion and Analysis (Continued)

September 30, 2021

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to tap connection and inspection fees revenue being higher than expected, as well as regional water fee revenues and capital outlay expenditures being lower than expected. In addition, tap connections expenditures, debt issuance costs and interfund transfers were not included in the current year budget. The fund balance as of September 30, 2021, was expected to be \$4,584,356 and the actual end-of-year fund balance was \$5,909,230.

Capital Assets and Related Debt

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized below:

Capital Assets (Net of Accumulated Depreciation)

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 5,196,003	\$ 4,941,340
Construction in progress	159,276	267,749
Water facilities	4,605,965	4,230,328
Wastewater facilities	4,285,415	4,029,677
Drainage facilities	3,705,792	3,014,665
Park facilities	256,307	282,279
Total capital assets	<u>\$ 18,208,758</u>	<u>\$ 16,766,038</u>

During the current year, additions to capital assets were as follows:

Construction in progress related to the Little Prong Creek slope repair and outfall replacement	\$ 152,039
Joint water plant and wastewater treatment plants fence replacement	101,788
Water plant No. 1 rehabilitation	13,225
Construction of Katy Gaston tract water, sewer and drainage facilities, and detention pond	1,776,557
Replace starite process water pumps and a clarifier gear reduction unit	16,093
Installation of a complete blower, motor filter and valves	15,180
Total additions to capital assets	<u>\$ 2,074,882</u>

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Management's Discussion and Analysis (Continued)

September 30, 2021

Developers within the District have constructed facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues, subject to the approval of the Commission. As of September 30, 2021, a liability for developer-constructed capital assets of \$1,876,457 has been recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended September 30, 2021, are summarized as follows:

Long-term debt payable, beginning of year	\$ 14,123,032
Increases in long-term debt	4,760,591
Decreases in long-term debt	<u>(3,936,266)</u>
Long-term debt payable, end of year	<u><u>\$ 14,947,357</u></u>

At September 30, 2021, the District had \$10,685,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

On November 10, 2020, the District issued its \$2,870,000 Unlimited Tax Refunding Bonds, Series 2020, to refund \$1,155,000 of outstanding Series 2012 refunding bonds and \$1,670,000 of outstanding Series 2013 bonds. The District refunded the bonds to reduce total debt service payments over future years by \$249,670 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$211,237.

The District's bonds carry an underlying rating of "A-" from Standard & Poor's. The Series 2014 and 2015 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Corporation. The Series 2020 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent, if the City complies with the procedures and requirements of Chapter 43, Texas Local Government Code.

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Management's Discussion and Analysis (Continued)

September 30, 2021

Strategic Partnership Agreement

Effective May 8, 2012, the District entered into a Strategic Partnership Agreement (the Agreement) with the City which annexed certain portions of the District into the City for "limited purposes," as described therein. Under the terms of the Agreement, the City agreed it will not annex the District as a whole for full purposes for 30 years. By law, if the City chooses to annex the District during the term of the Agreement, the Agreement's annexation procedures will apply rather than those otherwise applicable under Chapter 43, Texas Local Government Code.

Subsequent Event

On October 28, 2021, the District issued its \$5,285,000 Unlimited Tax Bonds, Series 2021, at a net effective interest rate of approximately 2.17 percent. The proceeds of the bonds were used to reimburse the District's developer for construction of District facilities.

**Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas**
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2021

	General Fund	Water Plant Fund	Wastewater Treatment Plant Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets							
Cash	\$ 106,975	\$ 322,293	\$ 128,241	\$ 28,988	\$ 586,497	\$ -	\$ 586,497
Certificates of deposit	3,410,000	-	-	730,000	4,140,000	-	4,140,000
Short-term investments	2,409,084	-	-	147,189	2,556,273	-	2,556,273
Receivables:							
Property taxes	5,196	-	-	6,543	11,739	-	11,739
Service accounts	297,721	-	-	-	297,721	-	297,721
Accrued interest	7,003	-	-	1,651	8,654	-	8,654
Interfund receivable	1,380	-	-	-	1,380	(1,380)	-
Due from participants	-	466,523	92,884	-	559,407	(126,700)	432,707
Due from others	17,289	-	-	-	17,289	-	17,289
Prepaid expenditures	13,178	-	-	-	13,178	-	13,178
Capital assets (net of accumulated depreciation):							
Land and improvements	-	-	-	-	-	5,196,003	5,196,003
Construction in progress	-	-	-	-	-	159,276	159,276
Infrastructure	-	-	-	-	-	12,853,479	12,853,479
Total assets	6,267,826	788,816	221,125	914,371	8,192,138	18,080,678	26,272,816
Deferred Outflows of Resources							
Deferred amount on debt refundings	0	0	0	0	0	473,893	473,893
Total assets and deferred outflows of resources	\$ 6,267,826	\$ 788,816	\$ 221,125	\$ 914,371	\$ 8,192,138	\$ 18,554,571	\$ 26,746,709

**Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas**
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
September 30, 2021

	General Fund	Water Plant Fund	Wastewater Treatment Plant Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Liabilities							
Accounts payable	\$ 242,508	\$ 277,085	\$ 58,803	\$ 1,850	\$ 580,246	\$ (126,700)	\$ 453,546
Retainage payable	19,542	-	-	-	19,542	-	19,542
Accrued interest payable	-	-	-	-	-	33,323	33,323
Customer deposits	91,350	-	-	-	91,350	-	91,350
Operating deposits	-	329,578	98,550	-	428,128	-	428,128
Interfund payable	-	-	-	1,380	1,380	(1,380)	-
Long-term liabilities:							
Due within one year	-	-	-	-	-	1,030,000	1,030,000
Due after one year	-	-	-	-	-	13,917,357	13,917,357
Total liabilities	353,400	606,663	157,353	3,230	1,120,646	14,852,600	15,973,246
Deferred Inflows of Resources							
Deferred property tax revenues	5,196	0	0	6,543	11,739	(11,739)	0
Fund Balances/Net Position							
Fund balances:							
Nonspendable, prepaid expenditures	13,178	-	-	-	13,178	(13,178)	-
Restricted, unlimited tax bonds	-	-	-	904,598	904,598	(904,598)	-
Committed:							
Water production and distribution	-	182,153	-	-	182,153	(182,153)	-
Wastewater treatment	-	-	63,772	-	63,772	(63,772)	-
Unassigned	5,896,052	-	-	-	5,896,052	(5,896,052)	-
Total fund balances	5,909,230	182,153	63,772	904,598	7,059,753	(7,059,753)	0
Total liabilities, deferred inflows of resources and fund balances	\$ 6,267,826	\$ 788,816	\$ 221,125	\$ 914,371	\$ 8,192,138		
Net position:							
Net investment in capital assets						3,715,752	3,715,752
Restricted for plant operations						245,925	245,925
Restricted for debt service						877,818	877,818
Unrestricted						5,933,968	5,933,968
Total net position						\$ 10,773,463	\$ 10,773,463

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances

Year Ended September 30, 2021

	General Fund	Water Plant Fund	Wastewater Treatment Plant Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues							
Property taxes	\$ 1,171,987	\$ -	\$ -	\$ 1,475,836	\$ 2,647,823	\$ 2,012	\$ 2,649,835
Sales tax rebates	79	-	-	-	79	-	79
Water service	435,942	2,622,369	-	-	3,058,311	(996,379)	2,061,932
Sewer service	563,128	-	839,189	-	1,402,317	(468,308)	934,009
Regional water fee	753,187	-	-	-	753,187	-	753,187
Penalty and interest	19,784	-	-	13,437	33,221	-	33,221
Tap connection and inspection fees	134,375	-	-	-	134,375	-	134,375
Investment income	21,776	275	-	5,687	27,738	-	27,738
Other income	74,102	-	87	11	74,200	(12,000)	62,200
Total revenues	3,174,360	2,622,644	839,276	1,494,971	8,131,251	(1,474,675)	6,656,576
Expenditures/Expenses							
Service operations:							
Purchased services	1,283,322	1,719,501	-	-	3,002,823	(1,283,322)	1,719,501
Regional water fee	-	558,456	-	-	558,456	-	558,456
Professional fees	147,120	12,288	3,918	2,296	165,622	-	165,622
Contracted services	403,046	15,140	17,125	38,441	473,752	250	474,002
Utilities	97,853	77,241	87,905	-	262,999	-	262,999
Repairs and maintenance	404,259	98,806	466,744	-	969,809	56,674	1,026,483
Other expenditures	61,746	21,089	38,585	5,846	127,266	(12,000)	115,266
Tap connections	68,580	-	-	-	68,580	-	68,580
Capital outlay	191,492	120,123	224,999	-	536,614	(536,614)	-
Depreciation	-	-	-	-	-	632,162	632,162
Debt service:							
Principal retirement	-	-	-	1,030,000	1,030,000	(1,030,000)	-
Interest and fees	-	-	-	421,280	421,280	27,626	448,906
Debt issuance costs	37,388	-	-	134,437	171,825	-	171,825
Total expenditures/expenses	2,694,806	2,622,644	839,276	1,632,300	7,789,026	(2,145,224)	5,643,802
Excess (Deficiency) of Revenues Over Expenditures	479,554	-	-	(137,329)	342,225	670,549	

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances (Continued)

Year Ended September 30, 2021

	General Fund	Water Plant Fund	Wastewater Treatment Plant Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)							
Interfund transfers in (out)	\$ 26,604	\$ (30,964)	\$ 4,360	\$ -	\$ -	\$ -	
General obligation bonds issued	-	-	-	2,870,000	2,870,000	(2,870,000)	
Deposit with escrow agent	-	-	-	(2,844,707)	(2,844,707)	2,844,707	
Premium on debt issued	-	-	-	114,034	114,034	(114,034)	
	<u>26,604</u>	<u>(30,964)</u>	<u>4,360</u>	<u>139,327</u>	<u>139,327</u>	<u>(139,327)</u>	
Total other financing sources (uses)	26,604	(30,964)	4,360	139,327	139,327	(139,327)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	506,158	(30,964)	4,360	1,998	481,552	(481,552)	
Change in Net Position						1,012,774	\$ 1,012,774
Fund Balances/Net Position							
Beginning of year	<u>5,403,072</u>	<u>213,117</u>	<u>59,412</u>	<u>902,600</u>	<u>6,578,201</u>	<u>-</u>	<u>9,760,689</u>
End of year	<u>\$ 5,909,230</u>	<u>\$ 182,153</u>	<u>\$ 63,772</u>	<u>\$ 904,598</u>	<u>\$ 7,059,753</u>	<u>\$ 0</u>	<u>\$ 10,773,463</u>

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Notes to Financial Statements

September 30, 2021

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas (the District), was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective March 10, 1981, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Notes to Financial Statements

September 30, 2021

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

Water Plant Fund – Accounts for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is water service revenues.

Wastewater Treatment Plant Fund – Accounts for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is sewer service revenues.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

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The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Notes to Financial Statements

September 30, 2021

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis.

Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Investments and Investment Income

Investments in certificates of deposit, mutual funds and U.S. Government and agency securities, and certain pooled funds which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Notes to Financial Statements

September 30, 2021

district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended September 30, 2021, include collections during the current period or within 60 days of year-end related to the 2020 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended September 30, 2021, the 2020 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45
Parks and recreational facilities	10-20

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Notes to Financial Statements

September 30, 2021

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, generally, it is the District's policy to use restricted resources first.

Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 18,208,758
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Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	11,739
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Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Notes to Financial Statements

September 30, 2021

Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	\$ 473,893
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(33,323)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(14,947,357)</u>
Adjustment to fund balances to arrive at net position.	<u>\$ 3,713,710</u>

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because:

Change in fund balances.	\$ 481,552
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and noncapitalized costs exceed capital outlay expenditures in the current period.	(333,837)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(114,034)
Governmental funds report proceeds from the sale of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	1,004,707
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.	2,012
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.	<u>(27,626)</u>
Change in net position of governmental activities.	<u>\$ 1,012,774</u>

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Notes to Financial Statements

September 30, 2021

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly 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.

At September 30, 2021, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly 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, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations.

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Notes to Financial Statements

September 30, 2021

At September 30, 2021, the District had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
Texas CLASS	<u>\$ 2,556,273</u>	<u>\$ 2,556,273</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2021, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at September 30, 2021, as follows:

Carrying value:	
Deposits	\$ 4,726,497
Investments	<u>2,556,273</u>
Total	<u>\$ 7,282,770</u>

Included in the following statement of net position captions:

Cash	\$ 586,497
Certificates of deposit	4,140,000
Short-term investments	<u>2,556,273</u>
Total	<u>\$ 7,282,770</u>

Investment Income

Investment income of \$27,738 for the year ended September 30, 2021, consisted of interest income.

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Notes to Financial Statements

September 30, 2021

Fair Value Measurements

The District has the following recurring fair value measurement as of September 30, 2021:

- Pooled investments of \$2,556,273 are valued at fair value per share of the pool's underlying portfolio.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended September 30, 2021, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Reclassi- fications	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	\$ 4,941,340	\$ 254,663	\$ -	\$ 5,196,003
Construction in progress	267,749	152,039	(260,512)	159,276
Total capital assets, non-depreciable	<u>5,209,089</u>	<u>406,702</u>	<u>(260,512)</u>	<u>5,355,279</u>
Capital assets, depreciable:				
Water production and distribution facilities	7,278,848	351,852	253,428	7,884,128
Wastewater collection and treatment facilities	7,281,689	471,366	7,084	7,760,139
Drainage facilities	5,945,609	844,962	-	6,790,571
Park facilities	412,264	-	-	412,264
Total capital assets, depreciable	<u>20,918,410</u>	<u>1,668,180</u>	<u>260,512</u>	<u>22,847,102</u>
Less accumulated depreciation:				
Water production and distribution facilities	(3,048,520)	(229,643)	-	(3,278,163)
Wastewater collection and treatment facilities	(3,252,012)	(222,712)	-	(3,474,724)
Drainage facilities	(2,930,944)	(153,835)	-	(3,084,779)
Park facilities	(129,985)	(25,972)	-	(155,957)
Total accumulated depreciation	<u>(9,361,461)</u>	<u>(632,162)</u>	<u>0</u>	<u>(9,993,623)</u>
Total governmental activities, net	<u>\$ 16,766,038</u>	<u>\$ 1,442,720</u>	<u>\$ 0</u>	<u>\$ 18,208,758</u>

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Notes to Financial Statements

September 30, 2021

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended September 30, 2021, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	\$ 13,865,000	\$ 2,870,000	\$ 3,855,000	\$ 12,880,000	\$ 1,030,000
Add premiums on bonds	231,740	114,034	92,192	253,582	-
Less discounts on bonds	73,608	-	10,926	62,682	-
	14,023,132	2,984,034	3,936,266	13,070,900	1,030,000
Due to developers	99,900	1,776,557	-	1,876,457	-
Total governmental activities long-term liabilities	<u>\$ 14,123,032</u>	<u>\$ 4,760,591</u>	<u>\$ 3,936,266</u>	<u>\$ 14,947,357</u>	<u>\$ 1,030,000</u>

General Obligation Bonds

	Series 2013	Refunding Series 2014
Amounts outstanding, September 30, 2021	\$110,000	\$3,790,000
Interest rates	2.50%	3.00% to 3.75%
Maturity dates, serially beginning/ending	September 1, 2022/2023	September 1, 2022/2028
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2020	September 1, 2022
	Refunding Series 2015	Refunding Series 2020
Amounts outstanding, September 30, 2021	\$6,135,000	\$2,845,000
Interest rates	2.250% to 3.375%	2.00% to 3.00%
Maturity dates, serially beginning/ending	September 1, 2022/2033	September 1, 2022/2035
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2023	September 1, 2026

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Notes to Financial Statements

September 30, 2021

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at September 30, 2021:

Year	Principal	Interest	Total
2022	\$ 1,030,000	\$ 399,882	\$ 1,429,882
2023	1,050,000	367,507	1,417,507
2024	1,065,000	333,507	1,398,507
2025	1,080,000	298,757	1,378,757
2026	1,120,000	263,532	1,383,532
2027-2031	5,525,000	775,757	6,300,757
2032-2035	<u>2,010,000</u>	<u>101,925</u>	<u>2,111,925</u>
Total	<u>\$ 12,880,000</u>	<u>\$ 2,540,867</u>	<u>\$ 15,420,867</u>

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

Bonds voted	\$ 35,650,000
Bonds sold	24,965,000
Refunding bonds voted	33,500,000
Refunding bonds authorization used	1,795,477

Due to Developers

Developers of the District have constructed facilities on behalf of the District. The District is maintaining and operating the facilities and has agreed to reimburse the developers for these construction costs and interest to the extent approved by the Commission from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects are \$1,876,457. These amounts have been recorded in the financial statements as long-term liabilities.

Note 5: Significant Bond Order and Commission Requirements

The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended September 30, 2021, the District levied an ad valorem debt service tax at the rate of \$0.340 per \$100 of assessed valuation, which resulted in a tax levy of \$1,477,297 on the taxable valuation of \$434,498,963 for the 2020 tax year. The interest and principal requirements paid from the tax revenues and other available funds were \$1,450,194.

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Notes to Financial Statements

September 30, 2021

Note 6: Maintenance Taxes

At an election held November 3, 1981, voters authorized a maintenance tax not to exceed \$0.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended September 30, 2021, the District levied an ad valorem maintenance tax at the rate of \$0.2700 per \$100 of assessed valuation, which resulted in a tax levy of \$1,173,148 on the taxable valuation of \$434,498,963 for the 2020 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Contracts With Other Districts

Waste Disposal Agreement

On April 27, 1999, the District and Fort Bend County Municipal Utility District No. 35 (District No. 35) entered into a waste disposal agreement. Under the terms of the agreement, which was last amended May 1, 2019, the District has 297,000 gallons per day of capacity and District No. 35 has 703,000 gallons per day of capacity. Operation and maintenance costs are to be shared based on active connections served by the plant. In the current year, the District's share of operating costs is \$347,250. The transactions for the plant during the current year are as shown below:

	The District	District No. 35	Total
Due from participants, beginning of year	\$ 34,823	\$ 69,972	\$ 104,795
Current year billings	347,250	491,939	839,189
Current year collections	<u>(355,583)</u>	<u>(495,517)</u>	<u>(851,100)</u>
Due from participants, end of year	<u>\$ 26,490</u>	<u>\$ 66,394</u>	<u>\$ 92,884</u>

District No. 35 and the District have deposited \$98,550 and \$63,772, respectively, as plant operating reserves.

Water Supply Agreement

On April 27, 1999, the District and District No. 35 entered into a water supply agreement. The agreement was last amended May 1, 2019. Under the agreement, 2,154 equivalent single-family connections (ESFC) are currently reserved for the District and 2,383 ESFCs are reserved for District No. 35.

Operation and maintenance costs are to be shared by the District and District No. 35 based on ESFCs served by the water plant. The District's share of operating costs in the current year was \$936,072, including \$712,081 in regional water authority fees.

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Notes to Financial Statements

September 30, 2021

The transactions for the water plant during the current year are as follows:

	The District	District No. 35	Total
Due from participants, beginning of year	\$ 154,204	\$ 558,991	\$ 713,195
Current year billings	936,072	1,686,297	2,622,369
Current year collections	<u>(990,066)</u>	<u>(1,878,975)</u>	<u>(2,869,041)</u>
Due from participants, end of year	<u>\$ 100,210</u>	<u>\$ 366,313</u>	<u>\$ 466,523</u>

District No. 35 and the District have deposited \$329,578 and \$182,153, respectively, as plant operating reserves.

Note 8: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 9: Regional Water Authority

The District is within the boundaries of the North Fort Bend Regional Water Authority (the Authority), which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Fort Bend Subsidence District, which regulates groundwater withdrawal. As of September 30, 2021, the Authority was billing the District \$4.25 per 1,000 gallons of water pumped from its wells and \$4.60 per 1,000 gallons of surface water purchased from the Authority. These amounts are subject to future increases.

Note 10: Strategic Partnership Agreement

Effective May 8, 2012, the District and the City of Houston (the City) 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 limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Notes to Financial Statements

September 30, 2021

payments by the City, the District agrees to continue to provide and develop water, sewer and drainage services within the District in lieu of full purpose annexation. The City agrees 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 30 years. By law, if the City chooses to annex the District during the term of the Agreement, the Agreement's annexation procedures will apply rather than those otherwise applicable under Chapter 43, Texas Local Government Code. During the current year, the District recorded \$79 in revenues related to the Agreement.

Note 11: Refunding Bonds

On November 10, 2020, the District issued its \$2,870,000 Unlimited Tax Refunding Bonds, Series 2020, to refund \$1,155,000 of outstanding Series 2012 refunding bonds and \$1,670,000 of outstanding Series 2013 bonds. The District refunded the bonds to reduce total debt service payments over future years by \$249,670 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$211,237.

Note 12: Subsequent Event

On October 28, 2021, the District issued its \$5,285,000 Unlimited Tax Bonds, Series 2021, at a net effective interest rate of approximately 2.17 percent. The proceeds of the bonds were used to reimburse the District's developer for construction of District facilities.

Note 13: Uncertainties

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position and results of operations of the District. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Required Supplementary Information

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Budgetary Comparison Schedule – General Fund Year Ended September 30, 2021

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 1,150,000	\$ 1,171,987	\$ 21,987
Sales tax rebates	-	79	79
Water service	460,000	435,942	(24,058)
Sewer service	565,000	563,128	(1,872)
Regional water fee	922,299	753,187	(169,112)
Penalty and interest	14,700	19,784	5,084
Tap connection and inspection fees	4,400	134,375	129,975
Investment income	47,240	21,776	(25,464)
Other	47,600	74,102	26,502
	<u>3,211,239</u>	<u>3,174,360</u>	<u>(36,879)</u>
Total revenues			
	<u>3,211,239</u>	<u>3,174,360</u>	<u>(36,879)</u>
Expenditures			
Service operations:			
Purchased services	1,279,731	1,283,322	(3,591)
Professional fees	167,500	147,120	20,380
Contracted services	412,220	403,046	9,174
Utilities	103,300	97,853	5,447
Repairs and maintenance	422,137	404,259	17,878
Other expenditures	64,740	61,746	2,994
Tap connections	-	68,580	(68,580)
Capital outlay	1,580,327	191,492	1,388,835
Debt issuance costs	-	37,388	(37,388)
	<u>4,029,955</u>	<u>2,694,806</u>	<u>1,335,149</u>
Total expenditures			
	<u>4,029,955</u>	<u>2,694,806</u>	<u>1,335,149</u>
Excess (Deficiency) of Revenues Over Expenditures	(818,716)	479,554	1,298,270
Other Financing Sources			
Interfund transfers in	-	26,604	26,604
	<u>-</u>	<u>26,604</u>	<u>26,604</u>
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	(818,716)	506,158	1,324,874
Fund Balance, Beginning of Year	5,403,072	5,403,072	-
	<u>5,403,072</u>	<u>5,403,072</u>	<u>-</u>
Fund Balance, End of Year	\$ 4,584,356	\$ 5,909,230	\$ 1,324,874
	<u>\$ 4,584,356</u>	<u>\$ 5,909,230</u>	<u>\$ 1,324,874</u>

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Budgetary Comparison Schedule – Water Plant Fund Year Ended September 30, 2021

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Service fees:			
The District	\$ 1,092,921	\$ 936,072	\$ (156,849)
District No. 35	1,977,466	1,686,297	(291,169)
Investment income	700	275	(425)
	<u>3,071,087</u>	<u>2,622,644</u>	<u>(448,443)</u>
Total revenues			
Expenditures			
Service operations:			
Purchased services	-	1,719,501	(1,719,501)
Regional water fee	2,644,800	558,456	2,086,344
Audit fees	2,400	2,500	(100)
Legal fees	5,000	270	4,730
Engineering fees	15,000	9,518	5,482
Mowing	8,040	5,970	2,070
Bookkeeping	8,200	7,859	341
Operator fees	7,200	7,281	(81)
Utilities	96,300	77,241	19,059
Repairs and maintenance	50,500	67,043	(16,543)
Telephone	2,035	2,213	(178)
Chemicals	33,200	25,793	7,407
Office supplies and postage	350	199	151
Insurance	11,200	12,280	(1,080)
Permit fees	3,200	-	3,200
Administrative	6,000	6,000	-
Other expenditures	1,500	397	1,103
Capital outlay	176,162	120,123	56,039
	<u>3,071,087</u>	<u>2,622,644</u>	<u>448,443</u>
Total expenditures			
Excess of Revenues Over Expenditures	-	-	-
Other Financing Uses			
Interfund transfers out	-	(30,964)	(30,964)
Deficiency of Revenues and Transfers In Over Expenditures and Transfers Out	-	(30,964)	(30,964)
Fund Balance, Beginning of Year	213,117	213,117	-
Fund Balance, End of Year	<u>\$ 213,117</u>	<u>\$ 182,153</u>	<u>\$ (30,964)</u>

**Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas**
Budgetary Comparison Schedule – Wastewater Treatment Plant Fund
Year Ended September 30, 2021

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Service fees:			
The District	\$ 382,639	\$ 347,250	\$ (35,389)
District No. 35	591,299	491,939	(99,360)
Other income	300	87	(213)
	<u>974,238</u>	<u>839,276</u>	<u>(134,962)</u>
Total revenues			
Expenditures			
Service operations:			
Audit fees	2,400	2,500	(100)
Legal fees	3,000	188	2,812
Engineering fees	10,000	1,230	8,770
Bookkeeping fees	8,000	7,834	166
Operator fees	10,000	9,291	709
Garbage	1,260	1,695	(435)
Utilities	97,000	87,905	9,095
Repairs and maintenance	91,100	155,965	(64,865)
Sludge removal	162,000	136,787	25,213
Mowing	3,696	2,916	780
Chemicals	117,100	117,459	(359)
Laboratory	41,600	53,617	(12,017)
Telephone	1,608	1,743	(135)
Office supplies and postage	450	267	183
Insurance	11,604	12,767	(1,163)
Permit fees	8,600	15,894	(7,294)
Administrative charge	6,000	6,000	-
Other	1,500	219	1,281
Capital outlay	397,320	224,999	172,321
	<u>974,238</u>	<u>839,276</u>	<u>134,962</u>
Total expenditures			
Excess of Revenues Over Expenditures	-	-	-
Other Financing Sources			
Interfund transfers in	-	4,360	4,360
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	-	4,360	4,360
Fund Balance, Beginning of Year	59,412	59,412	-
Fund Balance, End of Year	<u>\$ 59,412</u>	<u>\$ 63,772</u>	<u>\$ 4,360</u>

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Notes to Required Supplementary Information September 30, 2021

Budgets and Budgetary Accounting

Annual operating budgets are prepared for the general, water plant and wastewater treatment plant funds by the District's Board and its consultants. The budgets reflect resources expected to be received during the current year and expenditures expected to be incurred. The Board of Directors is required to adopt the budgets prior to the start of its fiscal year. The budgets are not a spending limitation (a legally restricted appropriation). The original budgets of the general fund, water plant fund and wastewater treatment plant fund were not amended during fiscal year 2021.

The District prepares its annual operating budgets on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedules – General Fund, Water Plant and Wastewater Treatment Plant present the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Other Information

**Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas**
Other Schedules Included Within This Report
September 30, 2021

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 14-28
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel and Consultants

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Schedule of Services and Rates

Year Ended September 30, 2021

1. Services provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input checked="" type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input checked="" type="checkbox"/> Security
<input checked="" type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input checked="" type="checkbox"/> Other <u>Street lighting</u>		

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels	
Water:	\$ 20.00	10,000	N	\$ 1.25	10,001 to	15,000
				\$ 1.75	15,001 to	20,000
				\$ 2.25	20,001 to	30,000
				\$ 2.75	30,001 to	40,000
				\$ 3.25	40,001 to	No Limit
Wastewater:	\$ 38.56	0	Y			
Regional water fee:	\$ 4.60	1	N	\$ 4.60	1,001 to	No Limit
Does the District employ winter averaging for wastewater usage?					Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):				Water \$ 66.00	Wastewater \$ 38.56	

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	968	956	x1.0	956
1"	86	86	x2.5	215
1 1/2"	4	4	x5.0	20
2"	28	28	x8.0	224
3"	-	-	x15.0	-
4"	1	1	x25.0	25
6"	-	-	x50.0	-
8"	3	3	x80.0	240
10"	-	-	x115.0	-
Total water	1,090	1,078		1,680
Total wastewater	1,036	1,024	x1.0	1,024

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	523,146
Gallons billed to customers:	477,009
Water accountability ratio (gallons billed/gallons pumped):	91.18%

*"ESFC" means equivalent single-family connections

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Schedule of General Fund Expenditures Year Ended September 30, 2021

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 20,700	
Legal	91,037	
Engineering	35,383	
Financial advisor	<u>-</u>	147,120
Purchased Services for Resale		
Bulk water and wastewater service purchases		1,283,322
Regional Water Fee		-
Contracted Services		
Bookkeeping	29,506	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	66,133	
Other contracted services	<u>95,566</u>	191,205
Utilities		97,853
Repairs and Maintenance		404,259
Administrative Expenditures		
Directors' fees	10,050	
Office supplies	3,244	
Insurance	5,221	
Other administrative expenditures	<u>43,231</u>	61,746
Capital Outlay		
Capitalized assets	183,312	
Expenditures not capitalized	<u>8,180</u>	191,492
Tap Connection Expenditures		68,580
Solid Waste Disposal		211,841
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		<u>37,388</u>
Total expenditures		<u><u>\$ 2,694,806</u></u>

**Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas**
Schedule of Temporary Investments
September 30, 2021

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 5000020106	0.20%	04/20/22	\$ 245,000	\$ 219
No. 91300011928582	0.44%	07/27/22	245,000	192
No. 11948	0.50%	11/03/21	240,000	1,085
No. 440011721	0.30%	02/16/22	245,000	455
No. 430	0.55%	01/28/22	245,000	904
No. 80000330	0.19%	09/18/22	245,000	14
No. 4189689	0.35%	12/29/21	240,000	633
No. 20000000102	0.45%	10/18/21	240,000	1,030
No. 16017	0.25%	03/21/22	245,000	324
No. 3216000487	0.25%	05/28/22	245,000	210
No. 320184	0.16%	06/17/22	245,000	113
No. 6000029741	0.75%	01/15/22	240,000	1,272
No. 9009004443	0.35%	02/18/22	245,000	526
No. 6550110742	0.12%	08/29/22	245,000	26
Texas CLASS	0.04%	Demand	2,409,084	-
			<u>5,819,084</u>	<u>7,003</u>
Debt Service Fund				
Certificates of Deposit				
No. 91300011961196	0.28%	02/10/22	245,000	81
No. 6000045838	0.75%	02/08/22	245,000	1,178
No. 1001100494	0.30%	02/08/22	240,000	392
Texas CLASS	0.04%	Demand	147,189	-
			<u>877,189</u>	<u>1,651</u>
Totals			<u>\$ 6,696,273</u>	<u>\$ 8,654</u>

**Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas**

**Analysis of Taxes Levied and Receivable
Year Ended September 30, 2021**

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 4,305	\$ 5,422
Additions and corrections to prior years' taxes	<u>(270)</u>	<u>(340)</u>
Adjusted receivable, beginning of year	<u>4,035</u>	<u>5,082</u>
 2020 Original Tax Levy	 1,175,301	 1,480,008
Additions and corrections	<u>(2,153)</u>	<u>(2,711)</u>
Adjusted tax levy	<u>1,173,148</u>	<u>1,477,297</u>
Total to be accounted for	1,177,183	1,482,379
Tax collections: Current year	(1,171,024)	(1,474,623)
Prior years	<u>(963)</u>	<u>(1,213)</u>
Receivable, end of year	<u><u>\$ 5,196</u></u>	<u><u>\$ 6,543</u></u>
 Receivable, by Years		
2020	\$ 2,124	\$ 2,674
2019	1,851	2,331
2018	<u>1,221</u>	<u>1,538</u>
Receivable, end of year	<u><u>\$ 5,196</u></u>	<u><u>\$ 6,543</u></u>

**Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas**

**Analysis of Taxes Levied and Receivable (Continued)
Year Ended September 30, 2021**

	2020	2019	2018	2017
Property Valuations				
Land	\$ 88,475,900	\$ 78,968,340	\$ 78,732,820	\$ 73,162,910
Improvements	361,265,130	356,530,138	362,765,929	368,418,325
Personal property	5,026,180	3,626,440	3,755,440	3,480,060
Exemptions	<u>(20,268,247)</u>	<u>(19,289,890)</u>	<u>(19,379,515)</u>	<u>(22,012,109)</u>
Total property valuations	<u>\$ 434,498,963</u>	<u>\$ 419,835,028</u>	<u>\$ 425,874,674</u>	<u>\$ 423,049,186</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.3400	\$ 0.3400	\$ 0.3400	\$ 0.3400
Maintenance tax rates*	<u>0.2700</u>	<u>0.2700</u>	<u>0.2700</u>	<u>0.2700</u>
Total tax rates per \$100 valuation	<u>\$ 0.6100</u>	<u>\$ 0.6100</u>	<u>\$ 0.6100</u>	<u>\$ 0.6100</u>
Tax Levy	<u>\$ 2,650,445</u>	<u>\$ 2,560,994</u>	<u>\$ 2,597,836</u>	<u>\$ 2,580,601</u>
Percent of Taxes Collected to Taxes Levied**	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>100%</u>

*Maximum tax rate approved by voters: \$0.50 on November 3, 1981

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

**Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas**

**Schedule of Long-term Debt Service Requirements by Years
September 30, 2021**

Due During Fiscal Years Ending September 30	Series 2013		Total
	Principal Due September 1	Interest Due March 1, September 1	
2022	\$ 50,000	\$ 2,750	\$ 52,750
2023	60,000	1,500	61,500
Totals	<u>\$ 110,000</u>	<u>\$ 4,250</u>	<u>\$ 114,250</u>

**Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas**
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2021

Due During Fiscal Years Ending September 30	Refunding Series 2014		
	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ 555,000	\$ 134,463	\$ 689,463
2023	560,000	115,038	675,038
2024	560,000	95,438	655,438
2025	565,000	75,838	640,838
2026	825,000	56,063	881,063
2027	365,000	27,188	392,188
2028	360,000	13,500	373,500
Totals	<u>\$ 3,790,000</u>	<u>\$ 517,528</u>	<u>\$ 4,307,528</u>

**Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas**
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2021

Due During Fiscal Years Ending September 30	Refunding Series 2015		
	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ 140,000	\$ 192,619	\$ 332,619
2023	140,000	189,469	329,469
2024	140,000	185,269	325,269
2025	140,000	181,069	321,069
2026	240,000	176,869	416,869
2027	735,000	169,669	904,669
2028	725,000	147,619	872,619
2029	990,000	125,869	1,115,869
2030	980,000	94,931	1,074,931
2031	970,000	63,081	1,033,081
2032	610,000	31,556	641,556
2033	325,000	10,969	335,969
Totals	<u>\$ 6,135,000</u>	<u>\$ 1,568,989</u>	<u>\$ 7,703,989</u>

**Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas**
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2021

Due During Fiscal Years Ending September 30	Refunding Series 2020		
	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ 285,000	\$ 70,050	\$ 355,050
2023	290,000	61,500	351,500
2024	365,000	52,800	417,800
2025	375,000	41,850	416,850
2026	55,000	30,600	85,600
2027	50,000	29,500	79,500
2028	70,000	28,500	98,500
2029	90,000	27,100	117,100
2030	90,000	25,300	115,300
2031	100,000	23,500	123,500
2032	200,000	21,500	221,500
2033	195,000	17,500	212,500
2034	340,000	13,600	353,600
2035	340,000	6,800	346,800
Totals	<u>\$ 2,845,000</u>	<u>\$ 450,100</u>	<u>\$ 3,295,100</u>

**Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas**
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2021

Due During Fiscal Years Ending September 30	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2022	\$ 1,030,000	\$ 399,882	\$ 1,429,882
2023	1,050,000	367,507	1,417,507
2024	1,065,000	333,507	1,398,507
2025	1,080,000	298,757	1,378,757
2026	1,120,000	263,532	1,383,532
2027	1,150,000	226,357	1,376,357
2028	1,155,000	189,619	1,344,619
2029	1,080,000	152,969	1,232,969
2030	1,070,000	120,231	1,190,231
2031	1,070,000	86,581	1,156,581
2032	810,000	53,056	863,056
2033	520,000	28,469	548,469
2034	340,000	13,600	353,600
2035	340,000	6,800	346,800
Totals	<u>\$ 12,880,000</u>	<u>\$ 2,540,867</u>	<u>\$ 15,420,867</u>

**Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas**
Changes in Long-term Bonded Debt
Year Ended September 30, 2021

	Bond	
	Refunding Series 2012	Series 2013
Interest rates	4.00%	2.50%
Dates interest payable	March 1/ September 1	March 1/ September 1
Maturity dates		September 1, 2022/2023
Bonds outstanding, beginning of current year	\$ 1,410,000	\$ 1,830,000
Bonds sold during current year	-	-
Bonds refunded during current year	1,155,000	1,670,000
Retirements, principal	<u>255,000</u>	<u>50,000</u>
Bonds outstanding, end of current year	<u>\$ 0</u>	<u>\$ 110,000</u>
Interest paid during current year	<u>\$ 10,200</u>	<u>\$ 4,000</u>

Paying agent's name and address:

Series 2012	- Wells Fargo Bank Texas, N.A., Houston, Texas
Series 2013	- Wells Fargo Bank Texas, N.A., Houston, Texas
Series 2014	- Wells Fargo Bank, N.A., Minneapolis, Minnesota
Series 2015	- Regions Bank, Houston, Texas
Series 2020	- Regions Bank, Houston, Texas

Bond authority:

	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	\$ 35,650,000	0	\$ 33,500,000
Amount issued	\$ 24,965,000	0	\$ 1,795,477
Remaining to be issued	<u>\$ 10,685,000</u>	<u>0</u>	<u>\$ 31,704,523</u>
Debt service fund cash and temporary investment balances as of September 30, 2021:			<u>\$ 906,177</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 1,101,491</u>

Issues

Refunding Series 2014	Refunding Series 2015	Refunding Series 2020	Totals
3.00% to 3.75%	2.250% to 3.375%	2.00% to 3.00%	
March 1/ September 1	March 1/ September 1	March 1/ September 1	
September 1, 2022/2028	September 1, 2022/2033	September 1, 2022/2035	
\$ 4,345,000	\$ 6,280,000	\$ -	\$ 13,865,000
-	-	2,870,000	2,870,000
-	-	-	2,825,000
555,000	145,000	25,000	1,030,000
<u>\$ 3,790,000</u>	<u>\$ 6,135,000</u>	<u>\$ 2,845,000</u>	<u>\$ 12,880,000</u>
<u>\$ 151,113</u>	<u>\$ 195,881</u>	<u>\$ 59,000</u>	<u>\$ 420,194</u>

**Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas**
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended September 30,

	Amounts				
	2021	2020	2019	2018	2017
General Fund					
Revenues					
Property taxes	\$ 1,171,987	\$ 1,140,068	\$ 1,145,424	\$ 1,142,860	\$ 1,066,666
Sales tax rebates	79	3,281	-	-	-
Water service	435,942	453,273	452,840	472,581	472,342
Sewer service	563,128	557,228	557,799	564,156	564,346
Regional water fee	753,187	785,336	712,096	732,346	686,834
Penalty and interest	19,784	15,932	15,713	12,127	18,629
Tap connection and inspection fees	134,375	4,490	13,045	3,960	3,963
Investment income	21,776	87,128	108,376	48,365	18,864
Other income	74,102	41,847	42,438	38,245	170,903
Total revenues	3,174,360	3,088,583	3,047,731	3,014,640	3,002,547
Expenditures					
Service operations:					
Purchased services	1,283,322	1,397,110	1,079,209	1,030,276	1,136,599
Professional fees	147,120	143,081	161,768	143,746	144,771
Contracted services	403,046	386,354	365,628	354,196	379,721
Utilities	97,853	98,604	105,793	124,036	103,664
Repairs and maintenance	404,259	413,992	352,782	439,603	403,407
Other expenditures	61,746	59,347	74,358	91,626	81,620
Tap connections	68,580	-	7,950	-	-
Capital outlay	191,492	101,009	224,103	16,129	194,076
Debt issuance costs	37,388	11,250	-	-	-
Total expenditures	2,694,806	2,610,747	2,371,591	2,199,612	2,443,858
Excess of Revenues Over Expenditures	479,554	477,836	676,140	815,028	558,689
Other Financing Sources (Uses)					
Interfund transfers in (out)	26,604	(73,122)	71,619	-	11,944
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	506,158	404,714	747,759	815,028	570,633
Fund Balance, Beginning of Year	5,403,072	4,998,358	4,250,599	3,435,571	2,864,938
Fund Balance, End of Year	\$ 5,909,230	\$ 5,403,072	\$ 4,998,358	\$ 4,250,599	\$ 3,435,571
Total Active Retail Water Connections	1,078	991	990	988	992
Total Active Retail Wastewater Connections	1,024	942	942	939	943

Percent of Fund Total Revenues

2021	2020	2019	2018	2017
36.9 %	36.9 %	37.6 %	37.9 %	35.6 %
0.1	0.1	-	-	-
13.7	14.7	14.8	15.7	15.7
17.8	18.0	18.3	18.7	18.8
23.7	25.4	23.4	24.3	22.9
0.6	0.5	0.5	0.4	0.6
4.2	0.2	0.4	0.1	0.1
0.7	2.8	3.6	1.6	0.6
2.3	1.4	1.4	1.3	5.7
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
40.4	45.2	35.4	34.2	37.9
4.6	4.6	5.3	4.8	4.8
12.7	12.5	12.0	11.8	12.7
3.1	3.2	3.5	4.1	3.5
12.7	13.4	11.6	14.6	13.4
1.9	1.9	2.4	3.0	2.7
2.2	-	0.3	-	-
6.0	3.3	7.3	0.5	6.4
1.2	0.4	-	-	-
<u>84.8</u>	<u>84.5</u>	<u>77.8</u>	<u>73.0</u>	<u>81.4</u>
<u>15.2 %</u>	<u>15.5 %</u>	<u>22.2 %</u>	<u>27.0 %</u>	<u>18.6 %</u>

**Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas**
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended September 30,

	Amounts				
	2021	2020	2019	2018	2017
Debt Service Fund					
Revenues					
Property taxes	\$ 1,475,836	\$ 1,435,972	\$ 1,442,386	\$ 1,439,467	\$ 1,478,045
Penalty and interest	13,437	19,759	20,613	20,111	15,448
Investment income	5,687	26,381	37,499	24,188	10,480
Other income	11	46	33	-	-
Total revenues	1,494,971	1,482,158	1,500,531	1,483,766	1,503,973
Expenditures					
Current:					
Professional fees	2,296	6,611	409	3,527	3,197
Contracted services	38,441	35,595	34,147	34,200	32,434
Other expenditures	5,846	8,813	8,480	6,738	7,031
Debt service:					
Principal retirement	1,030,000	975,000	955,000	955,000	950,000
Interest and fees	421,280	489,950	514,792	534,038	558,258
Debt issuance costs	134,437	-	-	-	-
Total expenditures	1,632,300	1,515,969	1,512,828	1,533,503	1,550,920
Deficiency of Revenues Over Expenditures	(137,329)	(33,811)	(12,297)	(49,737)	(46,947)
Other Financing Sources (Uses)					
General obligation bonds issued	2,870,000	-	-	-	-
Deposit with escrow agent	(2,844,707)	-	-	-	-
Premium on debt issued	114,034	-	-	-	-
Total other financing sources	139,327	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,998	(33,811)	(12,297)	(49,737)	(46,947)
Fund Balance, Beginning of Year	902,600	936,411	948,708	998,445	1,045,392
Fund Balance, End of Year	\$ 904,598	\$ 902,600	\$ 936,411	\$ 948,708	\$ 998,445

Percent of Fund Total Revenues

2021	2020	2019	2018	2017
98.7 %	96.9 %	96.1 %	97.0 %	98.3 %
0.9	1.3	1.4	1.4	1.0
0.4	1.8	2.5	1.6	0.7
0.0	0.0	0.0	-	-
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.1	0.4	0.0	0.2	0.2
2.6	2.4	2.3	2.3	2.2
0.4	0.6	0.6	0.5	0.5
68.9	65.8	63.6	64.4	63.1
28.2	33.1	34.3	36.0	37.1
9.0	-	-	-	-
<u>109.2</u>	<u>102.3</u>	<u>100.8</u>	<u>103.4</u>	<u>103.1</u>
<u>(9.2) %</u>	<u>(2.3) %</u>	<u>(0.8) %</u>	<u>(3.4) %</u>	<u>(3.1) %</u>

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Board Members, Key Personnel and Consultants Year Ended September 30, 2021

Complete District mailing address:	Fort Bend County Municipal Utility District No. 34 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, Texas 77056
District business telephone number:	713.623.4531
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 26, 2020
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Billy E. Haehnel	Elected 05/20- 05/24	\$ 1,950	\$ 0	President
James A. Marken	Elected 05/18- 05/22	2,250	942	Vice President
Jose Torres	Elected 05/18- 05/22	1,800	11	Secretary
Craig A. Hajovsky	Elected 05/18- 05/22	2,100	27	Assistant Secretary
Sean Piper	Elected 05/20- 05/24	1,950	1,620	Assistant Secretary

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

**Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas**

**Board Members, Key Personnel and Consultants (Continued)
Year Ended September 30, 2021**

Consultants	Date Hired	Fees and Expense Reimbursements	Title
BGE, Inc.	08/27/13	\$ 132,636	Engineer
BKD, LLP	10/15/85	28,200	Auditor
Bob Leared Interests	01/13/83	26,546	Tax Assessor/ Collector
Fort Bend Central Appraisal District	Legislative Action	20,148	Appraiser
Masterson Advisors LLC	05/22/18	31,356	Financial Advisor
Municipal Accounts & Consulting, L.P.	07/07/81	49,953	Bookkeeper
Municipal Operations & Consulting, Inc.	06/01/12	1,022,057	Operator
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	02/11/97	2,296	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	06/22/81	92,234 29,762	Attorney Bond Counsel
Investment Officers			
Mark M. Burton and Ghia Lewis	07/27/04	N/A	Bookkeepers

Board of Directors
Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas

In planning and performing our audit of the financial statements of Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas (the District), as of and for the year ended September 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the District's financial statements on a timely basis. A deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We observed the following matters that we consider to be material weaknesses.

Material Weaknesses

The District's management consists of an elected Board of Directors (the Board). Day-to-day operations are performed by private entities (Consultants) under contract with the District. The Board supervises the performance of the Consultants; however, although Consultants can be part of the District's system of internal control, the Consultants are not members of management. Per auditing standards, management is responsible for design and implementation of the District's system of internal controls.

Per auditing standards, one of the primary controls within the system of internal controls is related to the preparation of the financial statements. Management of the District is responsible for either preparing the financial statements or having the knowledge to determine whether the financial statements have been properly prepared and are free from potential misstatement. The absence of this expertise within management, or a Consultant of the District hired to perform this service, is considered by auditing standards to be a material weakness in internal control over financial reporting.

During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to correct and present the financial statements on the government-wide basis of accounting. Additionally, we noted adjustments to various accounts, such as cash, service accounts receivable, accounts payable, deferred property tax revenues and interfund transfers, which were necessary in order for the fund financial statements to be in conformity with generally accepted accounting principles. The inability of management (or a Consultant of the District hired to perform this service) to detect these necessary adjustments is considered by auditing standards to be a material weakness in internal control over financial reporting.

Finally, management, or a Consultant of the District, does not prepare the capital asset and depreciation register or post adjustments related to the presentation of the capital assets in the government-wide financial statements. As management is not preparing or reviewing and does not have the expertise to prevent, detect and correct related significant potential misstatements, this is considered by auditing standards to be a material weakness.

The material weaknesses noted above, if not corrected, could result in a material misstatement or omission of a required disclosure in the financial statements.

Management's Response

The District responds that the auditor's Management Letter, and the material weaknesses identified therein, are prepared in response to Statement on Auditing Standards No. 115 (SAS 115) and are not prompted by any other circumstances identified during the course of the audit and disclosed to the District's Board.

As you know, the Board has, since the inception of the District, engaged the auditor to perform the District's audit and to prepare the financial statements and capital asset and depreciation schedules upon which the audit is based. It is our understanding that this is the usual and customary practice for smaller special districts in Texas, as it is more cost effective to engage Consultants to perform such services than to employ persons (who would constitute district management) to perform same. It is also the Board's understanding that, under the requirements of SAS 115, the engagement of the auditor to perform these services resulted in the Management Letter because (1) the Board members are not able to prevent, detect and correct a misstatement in the preparation of the District's financial statements or its capital asset and depreciation schedules or to make adjustments to same, and (2) the Board has not implemented controls to prevent, detect and correct a misstatement in the preparation of the District's financial statements or capital asset and depreciation schedules, such as the hiring of an employee or the engagement of another Consultant to prepare the District's financial statements or capital asset and depreciation schedules.

With respect to items (1) and (2) identified above, the Board responds that its members are appointed or elected in accordance with the requirements set forth in the Texas Water Code, and that such members do not necessarily have the ability to prevent, detect and correct a misstatement in the preparation of the District's financial statements or its capital asset and depreciation schedules or to make adjustments to same.

Further, the Board responds that it is a small government unit and that it engages the auditor based upon the auditor's professional qualifications, and in light of such qualifications, does not feel that the addition at this time of an employee or the engagement of a Consultant to prepare the District's financial statements and capital asset and depreciation schedules (as a form of control) would be cost effective. Additionally, the Board adds that the District does not have any employees, but rather engages Consultants who possess industry knowledge and expertise to provide financial services, including its bookkeeper, auditor and financial advisor, as well as Consultants that provide legal, engineering, and operation and maintenance services. In particular, the District's bookkeeper presents periodic financial information (unaudited) to the Board for review, which information generally reflects income, disbursements, adjustments and the status of investments relative to the District's various accounts.

Management's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the Board of Directors and the Texas Commission on Environmental Quality, and is not intended to be, and should not be, used by anyone other than these specified parties.

BKD, LLP

February 14, 2022

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 34

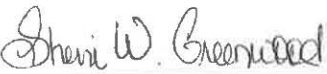
ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS §
 §
COUNTY OF FORT BEND §

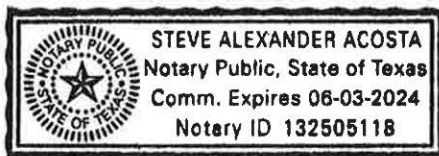
I, Sherri W. Greenwood, Auditor for Fort Bend County Municipal Utility District No. 34, hereby swear, or affirm, that the district named above, Fort Bend County Municipal Utility District No. 34, has reviewed and approved at a meeting of the Board of Directors of the District on the 25th day of January 2022, its annual audit report for the fiscal year or period ended September 30, 2021, and that copies of the annual report have been filed in the District office located at 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056.

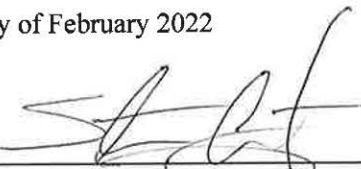
The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: February 15, 2022

By: 
Sherri W. Greenwood
Auditor

Sworn to and subscribed to before me this 15th day of February 2022




Notary Public, State of Texas

(NOTARY SEAL)