

OFFICIAL STATEMENT DATED JUNE 19, 2019

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND INTEREST ON THE BONDS IS SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

The Bonds have been designated as "qualified tax-exempt obligations" for Financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations."

NEW ISSUE - Book Entry Only

RATING: S&P Global Ratings (BAM insured) ..... "AA"
Moody's Investors Service (Underlying) ..... "A1"
See "MUNICIPAL BOND INSURANCE" and "RATING" herein.

\$4,605,000

SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
(A Political Subdivision of the State of Texas, located within Fort Bend County)

UNLIMITED TAX REFUNDING BONDS, SERIES 2019

Dated: July 1, 2019

Due: October 1, as shown below

The \$4,605,000 Sienna Plantation Municipal Utility District No. 2 Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds") are obligations of Sienna Plantation Municipal Utility District No. 2 (the "District") and are not obligations of the State of Texas; the City of Missouri City, Texas (the "City"); Fort Bend County, Texas; or any political subdivision or entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; the City; Fort Bend County, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Interest on the Bonds will accrue from July 1, 2019, and will be payable October 1 and April 1 of each year ("Interest Payment Date"), commencing October 1, 2019, until maturity. The Bonds are not subject to redemption prior to maturity. Principal of the Bonds is payable to the registered owner(s) of the Bonds (the "Registered Owner(s)") at Regions Bank, an Alabama banking corporation, Houston, Texas (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment at maturity or upon prior redemption. Unless otherwise agreed between the Paying Agent and a Registered Owner, interest on the Bonds is dated as of the Interest Payment Date and payable to each Registered Owner, as shown on the records of the Paying Agent/Registrar on the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the "Record Date"). The Bonds will be issued only in fully registered form in the denomination of \$5,000 of principal amount, or any integral multiple thereof.

The scheduled payment of principal and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.



The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS - Book-Entry-Only System."

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS

Table with 10 columns: Maturity (October 1), Principal Amount, Interest Rate, Initial Reoffering Yield (a), CUSIP Nos. 82620N (b), Maturity (October 1), Principal Amount, Interest Rate, Initial Reoffering Yield (a), CUSIP Nos. 82620N (b). Rows include data for 2020, 2021, 2022, 2023, 2024, and 2025.

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first optional redemption date.
(b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.

The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. Neither the State of Texas; the City; Fort Bend County, Texas; nor any other entity other than the District shall be obligated to pay the principal of or interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas; the City; Fort Bend County, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

The proceeds of the Bonds will be applied, together with lawfully available funds, to refund certain outstanding bonds of the District and to pay certain costs incurred in connection with the issuance of the Bonds in order to achieve gross and net present value savings in the District's annual debt service expense (see "PLAN OF FINANCING - Sources and Uses of Funds").

THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the SAMCO Capital Markets, Inc. (the "Underwriter"), subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Orrick, Herrington & Sutcliffe, LLP, Houston, Texas, Underwriter's Counsel. Delivery of the Bonds is expected on or about July 26, 2019.

SAMCO Capital Markets, Inc.

## USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information, or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriter.

All of the summaries of the statutes, resolutions, orders, contracts, audits, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel upon payment of duplication costs, for further information.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

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

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. The District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and to the extent such information actually comes to its attention, the other matters described in this Official Statement, until delivery of the Bonds to the Underwriter and thereafter only as specified in "OFFICIAL STATEMENT - Updating of Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B - Specimen Municipal Bond Insurance Policy."

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

**TABLE OF CONTENTS**

	<u>Page</u>		<u>Page</u>
USE OF INFORMATION IN OFFICIAL STATEMENT ...	1	DISTRICT DEBT.....	26
INTRODUCTION.....	4	Debt Service Requirement Schedule.....	26
SALE AND DISTRIBUTION OF THE BONDS.....	4	Selected Financial Information.....	27
Underwriting.....	4	Estimated Direct and Overlapping Debt Statement ..	28
Prices and Marketability.....	4	Debt Ratios .....	28
Securities Laws .....	4	TAXING PROCEDURES .....	28
Delivery of Official Statements.....	5	Authority to Levy Taxes .....	28
MUNICIPAL BOND INSURANCE.....	5	Property Tax Code and County-wide Appraisal	
Bond Insurance Policy .....	5	District.....	28
Build America Mutual Assurance Company .....	5	Property Subject to Taxation by the District.....	29
RATINGS .....	6	Tax Abatement .....	30
OFFICIAL STATEMENT SUMMARY .....	8	Valuation of Property for Taxation .....	30
SELECTED FINANCIAL INFORMATION .....	12	District and Taxpayer Remedies .....	31
THE BONDS .....	13	Levy and Collection of Taxes .....	31
General.....	13	Rollback of Operation and Maintenance Tax Rate ...	32
Paying Agent/Registrar .....	13	District's Rights in the Event of Tax Delinquencies ...	33
Book-Entry-Only System .....	13	TAX DATA .....	33
Registration, Transfer and Exchange .....	15	General.....	33
Replacement of Bonds .....	16	Tax Rate Limitation .....	34
Registration, Transfers and Exchanges.....	16	Maintenance Tax .....	34
No Optional Redemption of the Bonds.....	16	Contract Tax .....	34
Successor Paying Agent/Registrar .....	16	Exemptions .....	34
Authority for Issuance.....	16	Additional Penalties.....	34
Source of Payment.....	16	Tax Rate Calculations .....	34
Issuance of Additional Debt.....	17	Estimated Overlapping Taxes.....	34
No Arbitrage.....	17	Assessed Valuation Summary .....	35
Annexation by the City of Missouri City.....	17	Historical Tax Collections .....	35
Consolidation .....	18	Tax Rate Distribution .....	35
Defeasance.....	18	Principal Taxpayers .....	36
Legal Investment and Eligibility to Secure Public		THE SYSTEM.....	37
Funds in Texas .....	18	General.....	37
Registered Owners' Remedies and Bankruptcy.....	19	Historical Operations of the System .....	37
PLAN OF FINANCING .....	19	Regulation.....	37
Use and Distribution of Bond Proceeds .....	19	Master District Contract.....	38
The Refunded Bonds .....	20	Water Supply .....	38
Escrow Agreement .....	20	Wastewater Treatment .....	38
Refunding of the Refunding Bonds.....	20	Fire Protection .....	39
Remaining Outstanding Bonds .....	20	THE FLOOD PROTECTION SYSTEM .....	39
Sources and Uses of Funds .....	21	Design Standards and Atlas 14.....	39
THE DISTRICT .....	22	Flood Protection, Reclamation and Drainage	
Authority .....	22	Facilities .....	40
Description.....	22	Recent Extreme Weather Events .....	41
Management of the District.....	22	Construction of Future Internal Drainage Facilities ..	41
Investment Policy .....	22	INVESTMENT CONSIDERATIONS.....	42
Consultants.....	23	General.....	42
Tax Assessor/Collector .....	23	Possible Flooding Events .....	42
Bookkeeper .....	23	Hurricane Harvey.....	43
Utility System Operator .....	23	Potential Impact of Natural Disaster .....	43
Auditor.....	23	Factors Affecting Taxable Values and Tax Payments	44
Engineer.....	23	District Tax Levy and Overlapping District Taxes	
Bond Counsel .....	23	and Functions .....	44
Financial Advisor.....	23	Tax Collection Limitations .....	45
Special Consultant Related to Issuance of the Bonds	23	Registered Owners' Remedies and Bankruptcy .....	46
DEVELOPMENT WITHIN THE DISTRICT.....	23	Marketability .....	46
SIENNA PLANTATION.....	24	Bond Insurance Risk Factors.....	46
Description of the Project.....	24	Future Debt.....	47
		Competitive Nature of Houston Area Residential	

Housing Market .....	47
Continuing Compliance with Certain Covenants .....	47
Approval of the Bonds.....	47
Environmental Regulations.....	47
Changes in Tax Legislation .....	50
LEGAL MATTERS .....	50
Legal Opinions .....	50
No-Litigation Certificate .....	51
No Material Adverse Change .....	51
TAX MATTERS.....	51
Qualified Tax-Exempt Obligations.....	52
VERIFICATION OF MATHEMATICAL CALCULATIONS.....	52
CONTINUING DISCLOSURE OF INFORMATION .....	52
Annual Reports .....	53
OFFICIAL STATEMENT .....	54
General.....	54
Experts.....	54
Certification as to Official Statement .....	55
Updating of Official Statement .....	55
CONCLUDING STATEMENT.....	55
 APPENDIX A - FINANCIAL STATEMENTS OF THE DISTRICT	
 APPENDIX B - SPECIMEN MUNICIPAL BOND INSURANCE POLICY	

## INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Sienna Plantation Municipal Utility District No. 2 (the "District") of its Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds").

The Bonds are issued pursuant to a resolution ("Bond Resolution") adopted by the Board of Directors of the District, and pursuant to the Texas Constitution and general laws of the State of Texas, particularly Chapter 1207, Texas Government Code; Chapters 49 and 54, Texas Water Code, as amended; and an election held on August 9, 1997, and passed by a majority of the participating voters.

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument.

## SALE AND DISTRIBUTION OF THE BONDS

### Underwriting

SAMCO Capital Markets, Inc. (referred to herein as the "Underwriter") has agreed to purchase the Bonds from the District for \$4,709,105.47 (being the par amount of the Bonds, plus an original issue premium on the Bonds of \$142,269.90, and less an underwriter's discount of \$38,164.43), plus accrued interest on the Bonds to the date of delivery. The Underwriter's obligation is to purchase all of the Bonds, if any Bonds are purchased.

### Prices and Marketability

The District has no control over the reoffering yields or prices of the Bonds or over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked prices of the Bonds may be greater than the difference between the bid and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bondhouse, broker, dealer or similar person or organization acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER - ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

### Securities Laws

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder.

The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

### **Delivery of Official Statements**

The District shall furnish to the Underwriter (and to each participating underwriter of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Underwriter), within seven (7) business days after the sale date, the aggregate number of Official Statements agreed upon between the District and the Underwriter. The District also shall furnish to the Underwriter a like number of any supplements or amendments approved and authorized for distribution by the District for dissemination to potential underwriters of the Bonds, as well as such additional copies of the Official Statement or any such supplements or amendments as the Underwriter may reasonably request prior to the 90<sup>th</sup> day after the end of the underwriting period described in SEC Rule 15c2-12(e)(2). The District shall pay the expense of preparing the number of copies of the Official Statement agreed upon between the District and the Underwriter and an equal number of any supplements or amendments issued on or before the delivery date, but the Underwriter shall pay for all other copies of the Official Statement or any supplement or amendment thereto.

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$513.9 million, \$105 million and \$408.9 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE".

### *Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at [buildamerica.com/creditinsights/](http://buildamerica.com/creditinsights/). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [buildamerica.com/obligor/](http://buildamerica.com/obligor/). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

## **RATINGS**

S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The Bonds are expected to receive an insured rating of "AA" (stable outlook) on the Bonds from S&P solely in reliance upon the issuance of the Policy issued by BAM at the time of delivery of the Bonds.

Moody's has assigned an underlying credit rating of "A1" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P or Moody's, if, in their judgment, circumstances so warrant. Any such revisions or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned the Bonds other than the rating of S&P and Moody's.

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## OFFICIAL STATEMENT SUMMARY

The following information is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with the more complete information contained herein. A full review should be made of the entire Official Statement and of the documents summarized or described herein.

### THE BONDS

- The District..... Sienna Plantation Municipal Utility District No. 2 (the "District"), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See "THE DISTRICT."
- The Bonds..... \$4,605,000 Sienna Plantation Municipal Utility District No. 2 Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds"), are dated July 1, 2019, and bear interest at the rates set forth on the cover page thereof. The Bonds are scheduled to mature on October 1, 2020, through October 1, 2025, inclusive. Interest accrues from July 1, 2019, and is payable October 1, 2019, and each April 1 and October 1 thereafter until the earlier of stated maturity. The Bonds are not subject to redemption prior to maturity. See "THE BONDS."
- Book Entry Only..... The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See "THE BONDS - Book-Entry Only System."
- Source of Payment..... The Bonds are payable from a continuing direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Missouri City, Texas (the "City"); Fort Bend County, Texas; the State of Texas; or any entity other than the District. See "THE BONDS - Source of Payment."
- Authority for Issuance..... The Bonds are the fifth series of bonds issued out of an aggregate of \$18,300,000 principal amount unlimited tax bonds authorized by the District's voters for the purpose of refunding outstanding bonds. In addition, the District has previously issued eight series of bonds out of an aggregate of \$30,745,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating and maintaining a water, wastewater and a storm drainage system (the "System"), all of which have been previously issued. Following issuance of the Bonds, \$16,705,000 in refunding bonds will remain authorized but unissued. The Bonds are issued pursuant to the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapter 1207, Texas Government Code, an election held within the District on August 9, 1997, and the general laws of the State of Texas. See "THE BONDS - Authority for Issuance," and - Issuance of Additional Debt."
- Plan of Financing..... A portion of the proceeds of the Bonds will be applied to currently refund \$615,000 (the "Series 2009 Refunded Bonds") of the District's \$8,145,000 Unlimited Tax Refunding Bonds, Series 2009 and \$3,945,000 (the "Series 2010 Refunded Bonds") of the

District's \$6,770,000 Unlimited Tax Bonds, Series 2010, and to pay administrative and issuance costs related to the issuance of the Bonds. The Series 2009 Refunded Bonds and the Series 2010 Refunded Bonds are referred to herein as the "Refunded Bonds." See "PLAN OF FINANCING."

Remaining Outstanding Bonds.....	In addition to the Refunded Bonds, the District has issued \$3,950,000 Unlimited Tax Bonds, Series 1998; \$5,600,000 Unlimited Tax Bonds, Series 2000; \$4,100,000 Unlimited Tax Bonds, Series 2000A; \$4,200,000 Unlimited Tax Bonds, Series 2000B; \$5,200,000 Unlimited Tax Bonds, Series 2001; \$3,050,000 Unlimited Tax Bonds, Series 2002; \$2,625,000 Unlimited Tax Bonds, Series 2003; \$2,020,000 Unlimited Tax Bonds, Series 2004; \$9,660,000 Unlimited Tax Refunding Bonds, Series 2005; and \$9,430,000 Unlimited Tax Refunding Bonds, Series 2014. Excluding the Refunded Bonds, \$9,775,000 principal amount of the bonds originally issued shall remain outstanding (the "Remaining Outstanding Bonds"). See "THE BONDS – Remaining Outstanding Bonds, and - Authority for Issuance."
Municipal Bond Insurance .....	Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE".
Ratings.....	S&P Global Ratings (BAM insured) – "AA". Moody's Investors Service (Underlying) – "A1". See "MUNICIPAL BOND INSURANCE" and "RATINGS".
Bond Counsel .....	Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See "LEGAL MATTERS."
Financial Advisor.....	Robert W. Baird & Co., Houston, Texas
Underwriter's Counsel.....	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Verification Agent .....	Robert Thomas, CPA, Verification Agent. See "THE DISTRICT – Special Consultants Related to Issuance of the Bonds" and "VERIFICATION OF MATHEMATICAL CALCULATIONS."

**THE DISTRICT**

Description	Sienna Plantation Municipal Utility District No. 2 (the "District") was created by the Texas Commission on Environmental Quality (the "TCEQ"), in 1997, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, pursuant to Article XVI, Section 59 of the Texas Constitution. The District contains approximately 1,056 acres of land. The District is part of the development encompassed in the Sienna Plantation Development Agreement and subsequent amendments (collectively, defined as "Sienna Plantation") that contains approximately 10,230 acres. The District is located entirely within Fort Bend County, Texas, approximately 22 miles southwest of downtown Houston; approximately 1 mile west of the intersection of the Fort Bend Parkway Toll Road and State Highway 6; and approximately 6 miles east of the intersection of Texas State Highway 6 and U.S. Highway 59. The District is located entirely within Fort Bend Independent School District and the Sienna Plantation Levee Improvement District of Fort Bend County, Texas ("SPLID"), and lies partially within the extraterritorial jurisdiction of the City and partially within the corporate limits of the City. See "THE DISTRICT - Description."
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- Sienna Plantation ..... The District is part of a 10,230-acre community known as "Sienna Plantation." This 10,230-acre community consists of four distinct developments.
- Beginning in 1997, several partnerships controlled by the Johnson Development Company ("JDC") have developed over 4,500 acres in Sienna Plantation.
- In 2013, Toll-GTIS Property Owner, LLC ("Toll Brothers") purchased approximately 3,800 acres within Sienna Plantation (the "Toll Brothers Development"). Toll Brothers engaged an affiliate of JDC as fee developer to develop its property. Development and homebuilding are currently underway on the Toll Brothers Development.
- The remaining 176 acres within Sienna Plantation are currently owned by Taylor Morrison of Texas, Inc. ("Taylor Morrison"). An affiliate of JDC has been hired as fee developer for Taylor Morrison.
- Sienna Point, a separate subdivision within Sienna Plantation, contains an additional 1,035 acres with 272 rural estate lots. Development in Sienna Point began in 1996.
- Development within the District ..... Development within the District has been completed by Sienna/Johnson Development, L.P. ("Developer" or "SJD"), an affiliate of JDC. Approximately 893 acres (1,616 lots) within the District have been developed as various single-family residential subdivisions. As of May 1, 2019, the District contained 1,616 completed homes (1,588 occupied and 28 unoccupied) and no vacant lots. In addition, the District also contains Sienna Crossing Elementary School; Scanlan Oaks Elementary School; an 18-hole gold course on approximately 190 acres of which approximately 72 acres are within the District; a 7,500 square foot community recreational facility with a water theme park; eight tennis courts; and an amphitheater, all of which are available to residents within Sienna Plantation. The remaining land within the District is comprised of approximately 88 acres that are undevelopable. See "DEVELOPMENT WITHIN THE DISTRICT."
- Regional Facilities ..... Sienna Plantation Municipal Utility District No. 1 (the "Master District") is the municipal utility district created to provide the water supply and wastewater treatment facilities, as well as the regional water distribution, regional wastewater collection trunk lines and regional stormwater collection trunk lines necessary to serve Sienna Plantation, including the District. See "THE SYSTEM."
- Overlapping Districts and Taxes ..... SPLID is the levee improvement district created to construct and maintain the earthen levee, detention ponds, external drainage channel and various interior drainage channels necessary to serve Sienna Plantation. Approximately 9,832 acres of Sienna Plantation, including all of the District, is located within SPLID. SPLID intends to finance facilities to accomplish flood protection and accommodate storm water drainage within SPLID, including the District. SPLID currently levies a tax on property located within its boundaries, including the District, which is in addition to the tax levied by the District. SPLID levied a total tax of \$0.45 per \$100 of assessed valuation for the 2018 tax year. As of April 1, 2019, SPLID has \$104,400,000 principal amount of bonds outstanding. SPLID participates in TIRZ 3 (as defined herein) and therefore a portion of the proceeds collected on its taxable value is transferred to the

City for deposit in the Tax Increment Fund per the agreement entered into between the SPLID and TIRZ 3. See "TAX DATA - Estimated Overlapping Taxes," "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments," "-Overlapping District Taxes and Functions."

Development Agreement..... The principal developers in Sienna Plantation are parties to the Sienna Plantation Joint Development Agreement, dated February 19, 1996, with the City, as amended by nine amendments (collectively, the "Development Agreement") pursuant to which the City and the landowners stipulate the City's regulatory authority over the development of Sienna Plantation, establish certain restrictions and commitments related to the development of Sienna Plantation, set forth a formula for determining the timing of annexation of land within Sienna Plantation by the City, and identify and establish a master plan for the development of Sienna Plantation. The development of all land within Sienna Plantation is governed by the provisions of the Development Agreement. Approximately 277 acres are located in Fort Bend County Municipal Utility District No. 131 ("FBCMUD 131"), outside the Sienna Plantation development, and are not subject to the Development Agreement. See "DEVELOPMENT WITHIN THE DISTRICT - Development Agreement."

**INVESTMENT CONSIDERATIONS**

THE DISTRICT'S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON.

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

**SELECTED FINANCIAL INFORMATION**

**(UNAUDITED)**

2018 Assessed Valuation .....	\$577,308,363 (a)
(100% of market value as of January 1, 2018)	
See "TAX DATA" and "TAXING PROCEDURES."	
2019 Preliminary Valuation .....	\$588,312,314 (b)
(100% of market value as of January 1, 2019)	
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt:	
Remaining Outstanding Bonds .....	\$9,775,000 (c)
The Bonds .....	<u>4,605,000</u>
Total .....	\$14,380,000
Estimated Overlapping Debt .....	<u>\$ 36,201,007 (d)</u>
Total Direct and Estimated Overlapping Debt .....	<u>\$ 50,581,007</u>
Direct Debt Ratio:	
As a percentage of the 2018 Assessed Valuation .....	2.47 %
As a percentage of the 2019 Preliminary Valuation .....	2.44 %
Direct and Estimated Overlapping Debt Ratio:	
As a percentage of the 2018 Assessed Valuation .....	8.76 %
As a percentage of the 2019 Preliminary Valuation .....	8.60 %
Debt Service Fund (as of April 30, 2019).....	\$3,361,359
General Fund (as of April 30, 2019).....	\$3,497,590
2018 Tax Rate per \$100 of Assessed Valuation	
Debt Service .....	\$0.40
Maintenance.....	0.06
Contract Tax.....	<u>0.00</u>
Total.....	\$0.46
Average Annual Debt Service Requirements	
on Remaining Outstanding Bonds and the Bonds (2019-2025) .....	\$ 2,269,227
Maximum Annual Debt Service Requirement	
on Remaining Outstanding Bonds and the Bonds (2023).....	\$ 2,418,150
Tax Rate per \$100 of Assessed Valuation Required to Pay Estimated Average Annual	
Debt Service Requirements on Remaining Outstanding Bonds and the Bonds	
(2019-2025) at 95% Tax Collections	
Based Upon the 2018 Assessed Valuation (\$577,308,363).....	\$0.42
Based Upon the 2019 Preliminary Valuation (\$588,312,314) .....	\$0.41
Tax Rate per \$100 of Assessed Valuation Required to Pay Estimated Maximum Annual	
Debt Service Requirement on Remaining Outstanding Bonds and	
the Bonds (2023) at 95% Tax Collections	
Based Upon the 2018 Assessed Valuation (\$577,308,363) .....	\$0.45
Based Upon the 2019 Preliminary Valuation (\$588,312,314) .....	\$0.44
Number of Single-Family Homes as of May 1, 2019 .....	1,616

(a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."

(b) Provided by the Appraisal District as of January 1, 2019. This value represents the preliminary determination of the taxable value in the District as of January 1, 2019. No taxes will be levied on this preliminary value, which is subject to protest by landowners.

(c) Excludes the Refunded Bonds.

(d) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."

**\$4,605,000**  
**SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2**  
**UNLIMITED TAX REFUNDING BONDS**  
**SERIES 2019**

This Official Statement of Sienna Plantation Municipal Utility District No. 2 (the "District") is provided to furnish information with respect to the issuance by the District of its \$4,605,000 Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds"). The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution; (ii) the general laws of the State of Texas, including particularly, Chapter 207, Texas Government Code, and Chapters 49 and 54 of the Texas Water Code, as amended; (iii) an election held within the District on August 9, 1997; (iv) Chapter 1207, Texas Government Code; and (v) a resolution (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board").

There follows in this Official Statement descriptions of the Bonds, the Developer, the Bond Resolution and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Such documents may be reviewed at Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, or copies obtained upon payment of the costs of duplication thereof. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

**THE BONDS**

**General**

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution authorizing the issuance of the Bonds.

The Bonds are dated July 1, 2019, with interest payable October 1, 2019, and each April 1 and October 1 thereafter until maturity ("Interest Payment Date"). The Bonds are scheduled to mature on October 1, 2020, through October 1, 2025, inclusive. Principal of the Bonds will be payable to the registered owners (the "Registered Owners") at maturity upon presentation at the principal payment office of the Paying Agent/Registrar (as defined below). Interest on the Bonds will be payable dated as of the Interest Payment Date, and disbursed to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date").

**Paying Agent/Registrar**

The initial Paying Agent/Registrar is Regions Bank, Houston, Texas, an Alabama banking corporation (the "Paying Agent/Registrar"). The Bonds are being issued in fully registered form in integral multiples of \$5,000 of principal amount. Interest on the Bonds will be payable semiannually by the Paying Agent/Registrar by check mailed on each Interest Payment Date by the Paying Agent/Registrar to the Registered Owners at the last known address as it appears on the Paying Agent/Registrar's books on the Record Date.

**Book-Entry-Only System**

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission ("SEC"). More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

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

Redemption proceeds, principal amounts and interest payments will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

#### *Use of Certain Terms in Other Sections of this Official Statement*

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

#### *Effect of Termination of Book-Entry-Only System*

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Resolution and summarized under "THE BONDS – Registration, Transfer and Exchange" below.

### **Registration, Transfer and Exchange**

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to



occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

### **Replacement of Bonds**

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Paying Agent/Registrar), bond printing and legal fees in connection with any such replacement.

### **Registration, Transfers and Exchanges**

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

### **No Optional Redemption of the Bonds**

The Bonds are not subject to optional redemption prior to maturity.

### **Successor Paying Agent/Registrar**

Provision is made in the Bond Resolution for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

### **Authority for Issuance**

The Bonds are issued pursuant to the Bond Resolution; Chapter 1207, Texas Government Code, and Chapters 49 and 54 of the Texas Water Code; as amended; an election held on August 9, 1997; Chapter 1207, Texas Government Code; and Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas.

### **Source of Payment**

The Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond

Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees and fees of the Fort Bend County Appraisal District (the "Appraisal District"). Tax proceeds, after deduction for collection costs, will be placed in the debt service fund and used solely to pay principal of and interest on the Bonds, the Remaining Outstanding Bonds (hereinafter defined), and additional bonds payable from taxes which may be issued, and Paying Agent/Registrar fees.

The Bonds are obligations solely of the District and are not the obligations of the State of Texas; Fort Bend County, Texas; the City of Missouri City, Texas (the "City"); or any entity other than the District.

### **Issuance of Additional Debt**

With the approval of TCEQ, the District may issue additional bonds necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters authorized the issuance of \$18,300,000 principal amount of unlimited tax refunding bonds and \$30,745,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating and maintaining a water, wastewater and a storm drainage system (the "System"), and could authorize additional amounts. The Bonds are the fifth series of unlimited tax bonds issued by the District for refunding purposes. Following the issuance of the Bonds, \$16,705,000 unlimited tax refunding bonds remain authorized but unissued and no bonds remain authorized and unissued to construct the System.

The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District if authorized by the District's voters and approved by the Board and the Texas Commission on Environmental Quality (the "TCEQ").

### **No Arbitrage**

The District will certify, on the date of delivery of the Bonds, that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

### **Annexation by the City of Missouri City**

Chapter 42, Texas Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any city comprises that city's extraterritorial jurisdiction. The size of extraterritorial jurisdiction depends in part on the city's population. For the City, the extraterritorial jurisdiction consists of all the contiguous unincorporated areas, not a part of any other city or any other city's extraterritorial jurisdiction and within two (2) miles of the corporate limits of the City. With certain exceptions, a city may annex territory only within the confines of its extraterritorial jurisdiction. When a city annexes additional territory, the city's extraterritorial jurisdiction expands in conformity with such annexation.

The District lies partially within the extraterritorial jurisdiction of the City and partially in the corporate limits. In the Development Agreement, the City agrees that the City shall not annex the property in the District before such time as (i) at least 95% of the developable acreage within the District has been developed with water, wastewater and drainage facilities, and (ii) the Developer has been reimbursed to the maximum extent permitted by the rules of the Commission or the City assumes any obligation for such reimbursement. Additionally, the District and the City entered into a "Strategic Partnership Agreement" pursuant to Section 43.0751, Texas Local Government Code. See "SIENNA PLANTATION – Development Agreement." Pursuant to the Strategic Partnership Agreement, the City will not annex the property in the District until (i) at least 90%

of the developable acreage within the District has been developed with water, wastewater and drainage facilities, and (ii) the Developer has been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement. Both of these conditions have been met, therefore the City may annex and dissolve the District at any time. If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District within ninety (90) days. No representation is made as to whether or not the City will annex the District at any time in the future. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur. See "DEVELOPMENT WITHIN THE DISTRICT" and "Sienna Plantation - Development Agreement."

### **Consolidation**

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the utility system) and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

### **Defeasance**

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, (b) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

### **Legal Investment and Eligibility to Secure Public Funds in Texas**

The following is an excerpt from Section 49.186 of the Texas Water Code, and is applicable to the District:

"(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and

instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic."

"(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any un-matured interest coupons attached to them."

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations or investment criteria which apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

### **Registered Owners' Remedies and Bankruptcy**

Pursuant to Texas law, the Bond Resolution provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

## **PLAN OF FINANCING**

### **Use and Distribution of Bond Proceeds**

A portion of the proceeds of the Bonds will be applied to currently refund \$615,000 (the "Series 2009 Refunded Bonds") of the District's \$8,145,000 Unlimited Tax Refunding Bonds, Series 2009 (the "Series 2009 Refunding Bonds") and \$3,945,000 (the "Series 2010 Refunded Bonds") of the District's \$6,770,000 Unlimited Tax Bonds, Series 2010 (the "Series 2010 Refunding Bonds"), and to pay administrative and issuance costs related to the issuance of the Bonds. The Series 2009 Refunded Bonds and the Series 2010 Refunded Bonds are referred to herein as the "Refunded Bonds."

## The Refunded Bonds

The principal amounts and maturity dates of the Refunded Bonds are set forth as follows:

Series 2009 Refunded Bonds		Series 2010 Refunded Bonds	
Principal Amount	Maturity Date	Principal Amount	Maturity Date
\$305,000	10/1/2023	\$715,000	10/1/2021
<u>310,000</u>	10/1/2024	745,000	10/1/2022
<u>\$615,000</u>		785,000	10/1/2023
		830,000	10/1/2024
		<u>870,000</u>	10/1/2025
		<u>\$3,945,000</u>	

Redemption Date:                      07/26/2019    10/01/2019  
Aggregate Principal Amount of Refunded Bonds: \$4,560,000.

## Escrow Agreement

The District will enter into an escrow agreement (the "Escrow Agreement") with Regions Bank, N.A., Houston, Texas (the "Escrow Agent"), pursuant to which a portion of the proceeds of the Bonds will be invested in certain securities of the United States of America authorized by Chapter 1207, Texas Government Code (the "Escrowed Obligations"), deposited, along with cash, in an escrow fund (the "Escrow Fund"), and applied to provide for scheduled payment of principal of and interest on the Refunded Bonds until their maturity and to provide for payment of the redemption price of the Refunded Bonds on the redemption date. At the time of delivery of the Bonds, Robert Thomas, CPA, will verify to the District, the Escrow Agent and the Underwriter that the Escrowed Obligations will mature at such times and yield interest in amounts that, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Pursuant to the Escrow Agreement, the Escrow Fund is irrevocably pledged for the payment of principal of and interest on the Refunded Bonds.

## Refunding of the Refunding Bonds

By the deposit of the cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the order authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such deposit, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in the Escrow Fund.

## Remaining Outstanding Bonds

In addition to the Refunded Bonds, the District has issued \$3,950,000 Unlimited Tax Bonds, Series 1998; \$5,600,000 Unlimited Tax Bonds, Series 2000; \$4,100,000 Unlimited Tax Bonds, Series 2000A; \$4,200,000 Unlimited Tax Bonds, Series 2000B; \$5,200,000 Unlimited Tax Bonds, Series 2001; \$3,050,000 Unlimited Tax Bonds, Series 2002; \$2,625,000 Unlimited Tax Bonds, Series 2003; \$2,020,000 Unlimited Tax Bonds, Series 2004; \$9,660,000 Unlimited Tax Refunding Bonds, Series 2005; and \$9,430,000 Unlimited Tax Refunding Bonds, Series 2014. Excluding the Refunded Bonds, \$9,775,000 principal amount of the bonds originally issued shall remain outstanding (the "Remaining Outstanding Bonds").

The Remaining Outstanding Bonds are as follows:

	Original Principal Amount	Principal Currently Outstanding	Less: Refunded Bonds	Remaining Outstanding Bonds
Series 1998 Bonds	\$3,950,000	\$ -	\$ -	\$ -
Series 2000 Bonds	5,600,000	-	-	-
Series 2000A Bonds	4,100,000	-	-	-
Series 2000B Bonds	4,200,000	-	-	-
Series 2001 Bonds	5,200,000	-	-	-
Series 2002 Bonds	3,050,000	-	-	-
Series 2003 Bonds	2,625,000	-	-	-
Series 2004 Bonds	2,020,000	-	-	-
Series 2005 Refunding Bonds	9,660,000	-	-	-
Series 2009 Refunding Bonds	8,145,000	1,985,000	615,000	1,370,000
Series 2010 Refunding Bonds	6,770,000	4,630,000	3,945,000	685,000
Series 2014 Refunding Bonds	<u>9,430,000</u>	<u>7,720,000</u>	<u>-</u>	<u>7,720,000</u>
	<u>\$64,750,000</u>	<u>\$14,335,000</u>	<u>\$4,560,000</u>	<u>\$9,775,000</u>

### Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied as follows:

#### SOURCES OF FUNDS:

Principal Amount of Bonds .....	\$ 4,605,000.00
Net Original Issue Premium.....	142,269.90
Debt Service Fund Transfer.....	65,000.00
Accrued Interest on Bonds.....	<u>8,802.08</u>
Total Sources of Funds .....	\$ 4,821,071.98

#### USES OF FUNDS:

Deposit for Payment of Refunded Bonds.....	\$ 624,268.13
Deposit to Escrow Fund.....	4,009,479.23
Deposit of Accrued Interest to Debt Service Fund.....	8,802.08
Issuance Expenses (a).....	140,358.11
Underwriter's Discount.....	<u>38,164.43</u>
Total Uses of Funds .....	\$ 4,821,071.98

(a) Includes municipal bond insurance premium.

## THE DISTRICT

### Authority

The District is a municipal utility district created by an order of the TCEQ dated March 10, 1997, after a hearing upon a petition for creation submitted by the District's Developer. The creation of the District was confirmed at an election held within the District on August 9, 1997. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code pursuant to Article XVI, Section 59 of the Texas Constitution. The District is subject to the continuing supervision of the TCEQ.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. In addition, at an election held on May 4, 2002, the voters of the District authorized the District to provide fire protection services through a contract with the City.

Under certain limited circumstances, the District is also is authorized to construct, develop and maintain park and recreational facilities.

### Description

The District encompasses approximately 1,056 acres of land. The District is located entirely within Fort Bend County, Texas, approximately 22 miles southwest of the central business district of the City of Houston, Texas, and approximately 6 miles east of the intersection of intersection of U.S. Highway 59 (the "Southwest Freeway"); approximately 1 mile west of the intersection of the Fort Bend Parkway and State Highway 6; and approximately 6 miles west of the intersection of Texas State Highway 288 and Texas State Highway 6, and wholly within the boundaries of the Fort Bend Independent School District and Sienna Plantation Levee Improvement District (the "SPLID"). The SPLID provides major outfall drainage and flood protection for all of the land within the District.

The District is located partially within the extraterritorial jurisdiction of the City and partially within its corporate limits. See "THE BONDS - Annexation by the City of Missouri City," and "SIENNA PLANTATION - Development Agreement."

### Management of the District

The District is governed by the Board, consisting of five directors, who have control over and management supervision of all affairs of the District. All of the Directors own land within the District. The directors serve four-year staggered terms. Elections are held in even numbered years in May. The current members and officers of the Board, along with their occupations are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires May</u>
Michael Kroboth	President	2020
Mark Rubal	Vice President	2022
Rick Duran	Assistant Vice President	2020
Jeff Farrar	Secretary	2022
Jeffrey C. Carroll	Assistant Secretary	2020

### Investment Policy

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation ("FDIC") and secured by collateral authorized by the Act, and in TexPool and Texas Class, which are public funds investment pools rated in the highest rating

category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the portfolio.

### **Consultants**

Although the District does not have a general manager or any other full-time employees, it has contracted for utility system operating, bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

#### **Tax Assessor/Collector**

The District's Tax Assessor/Collector is Tax Tech, Inc. (the "Tax Assessor/Collector"). The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Fort Bend Central Appraisal District and bills and collects such levy.

#### **Bookkeeper**

The District's bookkeeper is McLennan & Associates, LP. Such firm acts as bookkeeper for more than 100 utility districts.

#### **Utility System Operator**

The District's current operator is Si Environmental, LLC.

#### **Auditor**

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. McGrath & Co., PLLC prepared the financial statements of the District for the fiscal year ending February 28, 2019. A copy of the District's February 28, 2018, audit is included as APPENDIX A.

#### **Engineer**

The consulting engineer for the District in connection with the design and construction of the facilities for which the Bonds are being sold to reimburse the Developers is LJA Engineering, Inc. (the "Engineer"). The Engineer has also been employed by the Developer in connection with certain planning activities and the design of certain streets and related improvements within the District.

#### **Bond Counsel**

The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

#### **Financial Advisor**

Robert W. Baird & Co. ("the "Financial Advisor") is engaged as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

#### **Special Consultant Related to Issuance of the Bonds**

Verification Agent – At the time of delivery of the Bonds, Robert Thomas, CPA, will verify to the District, Bond Counsel, and the Underwriter certain matters related to the issuance of the bonds and the refunding of the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

### **DEVELOPMENT WITHIN THE DISTRICT**

Development within the District has been completed by Sienna/Johnson Development, L.P. ("Developer" or "SJD"), an affiliate of the Johnson Development Company ("JDC").

Residential development within the master-planned community of Sienna Plantation began within the District in 1997. Approximately 893 acres (1,616 lots) within the District have been developed as the single-family residential subdivisions of Sienna Steep Bank Village, Sections 1, 2A, 2B, 2C, 3, 4A, 4B, 4C, 5A, 5B, 5C,



6A, 6B, 7A, 7B, 8, 9, 10A, 10B, and 11A and a portion of Seciton 12 (12 lots); Sienna Village of Waters Lake, Sections 1-5, 5A, 7A, 7B, 8, 9A and 10A; and Sienna Village of Shipman's Landing, Sections 1-6 and 10. As of May 1, 2019, the District contained 1,616 completed homes (1,588 occupied and 28 unoccupied) and no vacant lots.

Approximately 190 acres was conveyed to Sienna Plantation Golf Club, Ltd. for development of a golf course. Approximately 72 acres of such property are located within the District. The 18-hole golf course has been completed and all 18-holes are open for play. In addition, 8 tennis courts, a water theme park and an amphitheater have been completed in the District. The District also contains 2 elementary schools: Sienna Crossing Elementary School and Scanlan Oaks Elementary School. The remaining land within the District is comprised of approximately 88 acres that are undevelopable.

## **SIENNA PLANTATION**

### **Description of the Project**

The District is part of a 10,230-acre community, which is governed by the terms and conditions of the "Sienna Plantation Joint Development Agreement" between the major landowners and developers in the community and the City. The Sienna Plantation Joint Development Agreement has nine subsequent amendments (collectively, the "Development Agreement"). In the Development Agreement, the City and the landowners stipulate the City's regulatory authority over the development of the community, establish certain restrictions and commitments, set forth a formula for determining the timing of annexation of land by the City, and identify and establish a master plan for the development of the 10,230-acre community. This master planned area consists of four distinct developments: Sienna Plantation by SJD, approximately 4,500 acres; Sienna Point, an approximately 1,035 acre rural estate subdivision; the Toll Brothers Development, approximately 3,800 acres; and 176 acres owned by Taylor Morrison of Texas, Inc.

The approximately 4,500 acres of Sienna Plantation that is being developed by SJD began in 1997. This area includes 4 internal municipal utility districts and a management district: the District, Sienna Plantation Municipal Utility District No. 3, Sienna Plantation Municipal Utility District No. 10, Sienna Plantation Municipal Utility District No. 12, and Sienna Plantation Management District. This area also includes The Woods at Sienna, an approximately 213.75 acre rural estate subdivision (by design the rural estate subdivisions are not served by any municipal utility districts). Sienna Plantation Municipal Utility District No. 1 (the "Master District") is the municipal utility district created to provide the water supply and wastewater treatment facilities, as well as the regional water distribution, regional wastewater collection trunk lines, and regional stormwater collection trunk lines necessary to serve the 4 internal municipal utility districts, the management district, and provides water supply to The Woods at Sienna. The District is served by the Master District and is a part of the Sienna Plantation development by SJD.

In December, 2013, Toll Brothers purchased approximately 3,800 acres of land in the Southern region of Sienna Plantation, including approximately 32 acres in the District. Toll Brothers is a publicly traded company on the New York Stock Exchange and a national homebuilder, which is actively building homes in 19 states. For more information, visit [www.tollbrothers.com](http://www.tollbrothers.com). The Toll Brothers Development encompasses four internal municipal utility districts – Sienna Plantation Municipal Utility District Nos. 4-7, along with a small portion of the Sienna Plantation Municipal Utility District No. 3. There are approximately 1,607 lots completed and approximately 729 lots are under design, of which 249 lots are currently under construction.

Approximately 1,035 acres within Sienna Plantation was developed as Sienna Point, a rural estate lot project containing approximately 272 lots ranging in size from 1.5 acres to 12 acres. All of the lots have been completed. Water and sanitary sewer service to homes in such project are provided by individual water wells and septic systems. None of such property is located within the boundaries of any of the Sienna Plantation Districts. Flood protection is provided by the SPLID and all of the property located within Sienna Point is subject to the taxing jurisdiction of the SPLID. Virtually all of the 272 lots in Sienna Point have been sold to individuals.

SPLID encompasses approximately 9,832 acres, including the Sienna Plantation development, which includes the District, and the Toll Brothers Development.

According to the developers, the ultimate land use within Sienna Plantation is currently projected as follows: approximately 15,725 single-family residential lots, approximately 2,720 multi-family units, 1,150 retirement residential units, approximately 300 rural estate residential units, approximately 1,105 acres used for the

development of commercial mixed-use projects, and the remaining acres will consist of the 18-hole Sienna Plantation Golf Course, clubhouse, water theme facility, swimming and tennis facilities, drainage and levee easements, street rights-of way, utility easements, open space, lakes, parks and greenbelts.

Development within Sienna Plantation to date has occurred primarily within the District, Sienna Plantation Municipal Utility District No. 3, Sienna Plantation Municipal Utility District No. 10, Sienna Plantation Municipal Utility District No. 12, Sienna Plantation Management District, Sienna Point (a 272 rural lot subdivision), and The Woods at Sienna (a 104 rural lot subdivision). As of May 1, 2019, development within Sienna Plantation includes (i) an aggregate of 8,237 completed homes, 238 homes under construction, 488 lots under development, and 395 vacant and developed lots ; (ii) 272 completed rural estate lots; (iii) a 2,400 square foot information center; (iv) an 18-hole golf course; (v) two water theme parks and amphitheater; and (vi) three (3) elementary schools, one (1) middle school and one (1) high school.

The District's tax is levied only on the property located within the District. Therefore, the investment security and quality of the Bonds is dependent upon the successful development of property located within the District, and the payment and collection of taxes levied thereon. Neither the faith and credit nor the taxing power of any of the Sienna Plantation municipal utility districts, other than the District, is pledged to the payment of any obligation of the District, including the Bonds. See "INVESTMENT CONSIDERATIONS." Development within the District is discussed in the section of this Official Statement entitled "DEVELOPMENT WITHIN THE DISTRICT."

### **Development Agreement**

The Developer and the other Sienna Plantation developers in Sienna Plantation have entered into the Development Agreement with the City, which stipulate the City's regulatory authority over the development of Sienna Plantation, establishes certain restrictions and commitments related to the development of Sienna Plantation, sets forth detailed design and construction standards, stipulates a formula for determining the timing of annexations of land within Sienna Plantation by the City, and identifies and establishes a master plan for the development of Sienna Plantation. The development of all land within Sienna Plantation is governed by the provisions of the Development Agreement.

The Development Agreement limits the number of residential units within Sienna Plantation to 21,000 units, of which no more than 2,720 units may be multi-family units. In addition, there can be no more than 1,100 acres of commercial development within Sienna Plantation, and no more than an additional 300 acres of Rural Estate Lots (as defined in the Development Agreement) after the development of Sienna Point.

Additionally, the District and the City entered into a "Strategic Partnership Agreement" pursuant to Section 43.0751, Texas Local Government Code. In the Development Agreement and Strategic Partnership Agreement, the City agrees not to annex the property in the District before such time as (i) at least 95% of the developable acreage within the District has been developed with water, wastewater treatment and drainage facilities; and (ii) the Developer has been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement. The City also agrees to provide regional wastewater treatment, fire and police protection to the residents in the District subject to the payment for such services by the District. See "THE SYSTEM - Wastewater Treatment, and - Fire Protection." The District is currently more than 95% developed.

### **Obligation to the Master District**

On May 3, 2018, the Master District, in its capacity to serve Sienna Plantation MUD's 3, 4, 5, 6, 7, 10, 12 and the District (the "Participating Districts") with regional water and wastewater capacity, completed a bond sale through the Texas Water Development Board (the "TWDB") in the amount of \$25,010,000 (the "TWDB Bonds"). The TWDB Bonds were sold to construct a new, permanent regional wastewater system to serve Sienna Plantation. The District will benefit from the construction of a lift station and force main to convey its wastewater flows to a wastewater treatment plant owned and operated by the City. The District believes the Master District also has funds to purchase excess capacity in and pay for the expansion of such plant. The estimated construction cost, including engineering and testing, is approximately \$38,094,727; however, the Participating Districts have already contributed approximately \$15,320,000 towards construction costs. Pursuant to the Master District Contract (defined hereinafter), the District's pro-rata share of the Master District bonds is approximately \$4,629,000, of which the District made cash contribution to cover its pro-rata share of principal and interest payments.

**DISTRICT DEBT**

**Debt Service Requirement Schedule**

The following schedule sets forth the current total debt service requirements of the District, less the Refunded Bonds, plus the principal and interest requirements on the Bonds.

Year Ending 12/31	Outstanding Debt Service	Less: Refunded Debt Service	Plus: The Bonds		Total Debt Service	Total New Debt Service
			Principal	Interest		
2019	\$2,127,513	\$92,738	-	\$31,688	\$31,688	\$2,066,463
2020	2,390,125	185,475	\$20,000	126,750	146,750	2,351,400
2021	2,437,725	900,475	740,000	126,150	866,150	2,403,400
2022	2,433,750	901,875	760,000	103,950	863,950	2,395,825
2023	2,454,075	1,217,075	1,100,000	81,150	1,181,150	2,418,150
2024	2,134,575	1,221,950	1,140,000	48,150	1,188,150	2,100,775
2025	2,183,025	904,800	845,000	25,350	870,350	2,148,575
	<u>\$16,160,788</u>	<u>\$5,424,388</u>	<u>\$4,605,000</u>	<u>\$543,188</u>	<u>\$5,148,188</u>	<u>\$15,884,588</u>
Average Annual Requirements - (2019-2025).....					\$2,269,227	
Maximum Annual Requirement - (2023) .....					\$2,418,150	

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**Selected Financial Information**

2018 Assessed Valuation .....	\$577,308,363 (a)
(100% of market value as of January 1, 2018)	
See "TAX DATA" and "TAXING PROCEDURES."	
2019 Preliminary Valuation .....	\$588,312,314 (b)
(100% of market value as of January 1, 2019)	
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt	
Remaining Outstanding Bonds .....	\$9,775,000 (c)
The Bonds .....	<u>4,605,000</u>
Total .....	\$14,380,000
Estimated Overlapping Debt .....	<u>\$36,201,007 (d)</u>
Total Direct and Estimated Overlapping Debt .....	<u>\$50,581,007</u>
Debt Service Fund (as of April 30, 2019).....	\$3,361,359
General Fund (as of April 30, 2019).....	\$3,497,590
2018 Tax Rate per \$100 of Assessed Valuation	
Debt Service .....	\$0.40
Maintenance .....	<u>0.06</u>
Total.....	\$0.46
Direct Debt Ratio:	
As a percentage of the 2018 Assessed Valuation .....	2.47 %
As a percentage of the 2019 Preliminary Valuation .....	2.44 %
Direct and Estimated Overlapping Debt Ratio:	
As a percentage of the 2018 Assessed Valuation .....	8.76 %
As a percentage of the 2019 Preliminary Valuation .....	8.60 %

(a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."  
(b) Provided by the Appraisal District as of January 1, 2019. This value represents the preliminary determination of the taxable value in the District as of January 1, 2019. No taxes will be levied on this preliminary value, which is subject to protest by landowners.  
(c) Excluding the Refunded Bonds.  
(d) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."

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## Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Debt as of March 31, 2019	Estimated Overlapping	
		Percent	Amount
Fort Bend County	\$560,744,527	0.86%	\$ 4,849,998
Fort Bend Independent School District	983,783,767	1.45	14,237,459
City of Missouri City	168,255,000	0.01	16,826
Sienna Plantation Levee Improvement District	104,400,000	16.38	<u>17,096,725</u>
Total Estimated Overlapping Debt The District			\$36,201,007 <u>14,380,000(a)</u>
Total Direct & Estimated Overlapping Debt			<u>\$50,581,007</u>

(a) Includes the Bonds, and excludes the Refunded Bonds.

## Debt Ratios

	% of 2018 Assessed Valuation	% of 2019 Preliminary Valuation
Direct Debt (a)	2.47%	2.44%
Direct and Estimated Overlapping Debt (a)	8.76%	8.60%

(a) Includes the Bonds, and excludes the Refunded Bonds.

## TAXING PROCEDURES

### Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Remaining Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS - Future Debt"), and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under "THE BONDS - Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System and for the payment of certain contractual obligations. See "TAX DATA - Maintenance Tax."

### Property Tax Code and County-wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and

are not fully summarized herein. The Property Tax Code requires, among other matters, county wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Appraisal District. The Fort Bend Central Appraisal District (the "Appraisal District") has the responsibility of appraising property for all taxing units within Fort Bend County, including the District. Such appraisal values will be subject to review and change by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

### **Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve the same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

**Residential Homestead Exemptions:** The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be

considered each year, but must be adopted before July 1. The District has never adopted a homestead exemption. See "TAX DATA - Exemptions."

**Freeport Goods Exemption:** A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2012 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2015 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

**Goods-in-Transit Exemption:** A "Goods-in-Transit Exemption" is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law.

### **Tax Abatement**

Fort Bend County (the "County") may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. As of September 1, 1999, each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, no portion of the land within the District has been designated as a reinvestment zone.

### **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used

by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all property in the Appraisal District at least once every three years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

On August 26, 2017, Hurricane Harvey made landfall on the Texas Gulf Coast, severely impacting the entire region and resulting in a disaster declaration by the Governor of the State of Texas and the President of the United States. See "INVESTMENT CONSIDERATIONS – Hurricane Harvey." When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property. The Appraisal District elected to reappraise the affected property within the District.

### **District and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

### **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in



which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

### **Rollback of Operation and Maintenance Tax Rate**

Under current law, the qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

#### *Special Taxing Units*

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

#### *Developed Districts*

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the

current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

#### *Developing Districts*

Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

#### *The District*

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

#### **District's Rights in the Event of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

### **TAX DATA**

#### **General**

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (see "TAXING PROCEDURES"). The Board of Directors of the District has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see "THE BONDS" and "INVESTMENT CONSIDERATIONS"). The District levied a debt service tax of \$0.40 per \$100 of assessed valuation and a maintenance tax of \$0.06 per \$100 of assessed valuation for the 2018 tax year.

**Tax Rate Limitation**

Debt Service: Unlimited (no legal limit as to rate or amount).  
Maintenance: \$1.10 per \$100 Assessed Valuation.  
Contract: Unlimited (no legal limit as to rate or amount).

**Maintenance Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. On August 9, 1997, the Board was authorized by a vote of the District's electors to levy such maintenance tax in an amount not to exceed \$1.10 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future.

**Contract Tax**

The District's obligation to pay its share of the costs of operating the Master District facilities is secured by the unlimited taxing power of the District. See "THE SYSTEM - Master District Contract," and - Wastewater Treatment."

**Exemptions**

For the 2019 tax year, the District has adopted an exemption from ad valorem taxation of \$20,000 of the approved value of residence homestead of individuals who are disabled or are sixty-five (65) years of age or older. To date, the District has not adopted a general residential homestead exemption. See "TAXING PROCEDURES."

**Additional Penalties**

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either; (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on July 1 of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation which would be required to meet certain debt service requirements on the Remaining Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the 2018 Assessed Valuation (\$577,308,363). The calculations assume collection of 95% of taxes levied, and the sale of no additional bonds by the District except the Bonds.

Average Annual Debt Service Requirements (2019-2025) .....	\$2,269,227
Tax Rate of \$0.42 on the 2018 Assessed Valuation produces.....	\$2,303,460
Tax Rate of \$0.41 on the 2019 Preliminary Valuation produces.....	\$2,291,476
Maximum Annual Debt Service Requirement (2023) .....	\$2,418,150
Tax Rate of \$0.45 on the 2018 Assessed Valuation produces.....	\$2,467,993
Tax Rate of \$0.44 on the 2019 Preliminary Valuation produces.....	\$2,459,145

**Estimated Overlapping Taxes**

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2018 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

<u>Taxing Jurisdiction</u>	<u>2018 Tax Rate</u>
The District	\$0.46000 (a)
Fort Bend County	0.46400 (b)
Fort Bend ISD	1.32000
Sienna Plantation LID	<u>0.45000</u>
Total Tax Rate	<u>\$2.69400</u>

(a) See "Tax Rate Distribution."

(b) Includes \$0.019 for Fort Bend County Drainage District.

No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

### Assessed Valuation Summary

The following represents the type of property comprising the 2014-2018 tax rolls:

<u>Type of Property</u>	<u>2018 Assessed Valuation</u>	<u>2017 Assessed Valuation</u>	<u>2016 Assessed Valuation</u>	<u>2015 Assessed Valuation</u>	<u>2014 Assessed Valuation</u>
Land	\$131,298,030	\$131,212,180	\$115,899,830	\$115,850,460	\$115,850,370
Improvements	455,563,251	455,052,451	451,295,991	435,435,200	391,591,615
Personal Property	6,609,840	6,242,370	6,136,140	5,155,734	8,474,011
Exemptions	<u>(16,162,758)</u>	<u>(19,593,319)</u>	<u>(15,961,866)</u>	<u>(19,479,708)</u>	<u>(21,043,021)</u>
Total	<u>\$577,308,363</u>	<u>\$572,913,682</u>	<u>\$557,370,095</u>	<u>\$536,961,686</u>	<u>\$494,872,975</u>

### Historical Tax Collections

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate/ \$100 (a)</u>	<u>Adjusted Levy</u>	<u>% of Collections Current Year</u>	<u>Tax Year Ending 9/30</u>	<u>Collections as of 02/28/2019</u>
2014	\$494,872,975	\$0.71	\$3,513,598	99.01%	2015	99.76%
2015	536,961,686	0.65	3,490,251	98.72%	2016	99.51%
2016	557,370,095	0.59	3,288,484	98.90%	2017	99.48%
2017	572,913,682	0.51	2,921,860	98.97%	2018	99.42%
2018	577,308,363	0.46	2,655,618	94.61%	2019	94.61%

(a) See "TAX DATA - Tax Rate Distribution" below.

### Tax Rate Distribution

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Debt Service	\$0.4000	\$0.4050	\$0.4250	\$0.4400	\$0.4850
Maintenance	0.0600	0.1050	0.1650	0.1200	0.1350
Contract (a)	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0900</u>	<u>0.0900</u>
	\$0.4600	\$0.5100	\$0.5900	\$0.6500	\$0.7100

(a) See "THE SYSTEM - Master District Contract," and - Wastewater Treatment."

### Principal Taxpayers

The following are the principal taxpayers in the District as shown on the District's certified appraisal rolls for the 2018 tax year.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2018 Tax Roll</u>
Sienna Technologies	Personal Property	\$1,830,790
Homeowner	Land & Improvements	1,728,080
Comcast of Houston LLC	Personal Property	1,447,310
Homeowner	Land & Improvements	1,392,340
Homeowner	Land & Improvements	1,364,520
Homeowner	Land & Improvements	1,279,140
L. G. I. Sienna LLC	Land & Improvements	1,262,550
Centerpoint Energy Electric	Personal Property	1,254,740
Homeowner	Land & Improvements	1,210,450
Homeowner	Land & Improvements	<u>1,188,440</u>
Total		\$13,958,360
% of Respective Tax Roll		<u>2.42%</u>

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## THE SYSTEM

### General

The internal water distribution, wastewater collection and stormwater facilities are being provided by the District. Water supply, wastewater treatment and major trunk water lines, wastewater collection and storm sewer facilities are being provided by Sienna Plantation Municipal Utility District No. 1 ("Master District") through contractual agreement (the "Master District Contract"). All of such water, wastewater and stormwater facilities are referred to herein as the "System." The Master District was created by the Commission and, pursuant to the Master District Contract, has the responsibility to provide such facilities necessary to serve the Participant Districts, including the District. Flood protection and certain stormwater drainage facilities are being provided by the SPLID.

### Historical Operations of the System

	Fiscal Year Ended February 28,				
	2019 (a)	2018	2017	2016	2015
<b>REVENUES:</b>					
Water Service	\$701,268	\$663,491	\$701,878	\$696,405	\$697,925
Sewer Service	595,514	573,267	609,884	673,981	850,378
Fire Service	423,006	406,682	432,069	344,667	188,866
Property Taxes	383,004	596,433	918,845	1,152,577	1,103,053
Penalties and Interest	35,474	30,165	32,500	36,372	45,504
Tap Connection & Inspection Fees	9,800	8,816	11,958	8,859	11,769
Surface Water Fees	596,456	578,396	645,831	602,339	629,919
Miscellaneous	5,122	4,178	3,626	2,347	4,815
Investment Earnings	<u>82,240</u>	<u>51,306</u>	<u>15,598</u>	<u>5,171</u>	<u>3,494</u>
<b>TOTAL REVENUES</b>	<b><u>\$2,831,884</u></b>	<b><u>\$2,912,734</u></b>	<b><u>\$3,372,189</u></b>	<b><u>\$3,522,718</u></b>	<b><u>\$3,535,723</u></b>
<b>EXPENDITURES:</b>					
<b>Current Service Operations</b>					
Professional Fees	\$126,134	\$116,219	\$110,417	\$116,230	\$99,712
Contracted Services	374,760	350,540	347,415	335,744	542,608
Repairs and Maintenance	234,799	276,560	307,996	221,681	260,047
Utilities	9,971	4,762	6,367	5,818	5,815
Administrative	52,639	51,336	50,649	56,104	65,095
Other	---	10,156	11,770	13,285	13,688
Surface Water	630,943	604,440	645,831	602,339	629,919
Capital Outlay	523,679	156,020	---	---	---
<b>Intergovernmental</b>					
Monthly Connection Charges	74,637	582,255	559,536	563,646	630,280
Contractual Obligations	---	16,000	87,577	477,771	442,339
Master District Replacement Fund	---	68,123	67,636	63,971	68,587
Fire Protection	428,710	428,366	429,312	346,737	551,598
Fire Station Capital Costs	---	---	---	48,825	---
Capital Contributions	---	<u>100,000</u>	---	---	---
<b>TOTAL EXPENDITURES</b>	<b><u>\$2,456,272</u></b>	<b><u>\$2,764,777</u></b>	<b><u>\$2,624,506</u></b>	<b><u>\$2,852,151</u></b>	<b><u>\$3,309,688</u></b>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$375,612</u>	<u>\$147,957</u>	<u>\$747,683</u>	<u>\$670,567</u>	<u>\$226,035</u>

(a) Unaudited.

### Regulation

The SPLID provides flood protection to the District with levees, flood plain reclamation (fill), detention, internal and outfall drainage facilities, and pump stations (the "Flood Protection System"). Construction and operation of the System and the Flood Protection System as they now exist or as it may be expanded from time to time is subject to the regulatory jurisdiction of several Federal, State and local authorities. The TCEQ exercises continuing supervisory authority over the District. Discharge of treated sewage and stormwater runoff is subject to the regulatory authority of the TCEQ and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of Fort Bend County, and, in some

instances, SPLID, the TCEQ and the U.S. Army Corps of Engineers. The City and Fort Bend County also exercise regulatory jurisdiction over the District's System.

### **Master District Contract**

The District and the Master District have entered into the Contract for "Financing, Operation and Maintenance of Regional Water, Sanitary Sewer and Storm Sewer Facilities" or the "Master District Contract". Each of the Participant Districts has already or will enter into an identical Master District Contract with the Master District. Under the Master District Contract, the Master District is obligated to provide the water supply, storm sewer collection, wastewater treatment facilities and regional water distribution and regional wastewater collection trunk lines necessary to serve the District and the other Participant Districts. To provide funds necessary to acquire the needed facilities the District and the other Participant Districts are required under the contract to pay connection charges to the Master District in amounts sufficient to enable the Master District to provide such services. The connection charge, which is subject to recalculation periodically, is determined by dividing the current estimated costs of all the aforementioned regional facilities to be constructed minus the payments which have previously been received for connections purchased, by the anticipated number of connections remaining to be purchased, within the Service Area. Between recalculation dates, the ENR Construction Cost Index may be applied as an escalator to the connection charge. In lieu of payment of connection charges, the District, with the approval of the Master District, may construct facilities for the Master District which after completion are conveyed to the Master District as a credit against connection charges. Currently, the connection charge to the District is \$5,380/per equivalent single-family connection ("ESFC").

The Master District bills the Participating Districts (including the District) on a monthly basis for amounts sufficient to pay the Master District's costs and expenses of operating and maintaining its regional facilities. As of January 1, 2019, the Master District is charging the District and the other Participating Districts \$22.58 per ESFC per month for both water and sewer services and \$0.25 per 1,000 gallons of usage to fund renewal and replacement of Master District facilities. The obligation of the District to make monthly payments to the Master District is secured by the taxing power of the District, and the obligation of each of the other Participant Districts to make monthly payments is secured by the taxing powers of each such district.

### **Water Supply**

The District's source of water supply is surface water from the City through the Master District. Pursuant to the Groundwater Reduction Plan, of which the Master District is a participant, the City has become the permitted entity for water supply. The City owns and operates a 10 million gallon per day surface water plant located within the Sienna Plantation Development.

The Master District owns and operates Sienna Plantation Water Plant Nos. 1 & 2 ("Plant Nos. 1 & 2"), which currently consist of five (5) wells totaling 5,900 gallons per minute ("gpm"), a 379,000 gallon ground storage tank, a 805,000 gallon ground storage tank, a 512,000 gallon ground storage tank, a 608,000 gallon ground storage tank, a 500,000 gallon ground storage tank, two (2) 30,000 gallon hydro-pneumatic tanks, two (2) 35,000 gallon hydro-pneumatic tanks, four (4) 20,000 gallon hydro-pneumatic tanks, a 10,000 gallon hydro-pneumatic tank, 19,007 gpm of booster pump capacity, an auxiliary diesel-powered generator at each site, and related appurtenances. Currently, such plants are rated to serve 11,216 ESFCs, which includes 926 ESFCs to serve Sienna Plantation Municipal Utility District No. 4. As of January 1 2019, the Master District was serving approximately 9,485 active non-irrigation ESFC.

The Master District entered into an interlocal agreement with the City on January 7, 2008, under this agreement, the Master District is entitled to all of the capacities and facilities necessary to support 1,000 ESFC from the City Mustang Bayou Plant. The interconnect between the City and the Master District system is complete. The Master District's existing water supply system with the interconnect is capable of serving 12,216 ESFC.

### **Wastewater Treatment**

The Master District operates two interim wastewater treatment plants ("WWTP") to serve Sienna Plantation. Currently, Sienna Plantation is split into two interim wastewater regions, the North and Central Regions. The Master District currently owns and operates a 1,200,000 gallons per day ("gpd") WWTP located in the Central region (WWTP #2) (sufficient to serve 5,714 ESFC at 210 gpd/ESFC), and leases and operates a 902,000 gpd WWTP located in the North region (WWTP #3) (sufficient to serve 4,100 ESFC at 220 gpd/ESFC). As of

January 1, 2019, the Master District was serving 4,682 active ESFC in Sienna South and 3,621 ESFC in Sienna North (which includes the District).

The Master District has begun construction of a permanent WWTP system to serve the Participating Districts. The Participating Districts are responsible for their pro rata share of the construction costs of the permanent WWTP system. In May 2018, the Master District issued \$25,010,000 in contract revenue bonds through the Texas Water Development Board for the construction of permanent wastewater to serve the Participating Districts, including the District. The District has paid a cash contribution for its pro rata share of such contract revenue bonds. Regional wastewater improvements are currently underway to serve ultimate capacity for Sienna North.

### **Fire Protection**

Pursuant to a contract between the District and the City, fire protection to residents of the District is provided by the Missouri City Fire Department from a 8,400 square foot fire station located on Sienna Parkway approximately 0.5 miles from the boundary of the District. The District pays the City a monthly fee for such services. A second 7,700 square foot fire station has been constructed and is located along Sienna Parkway approximately 1.8 miles from the boundary of the District. This fire station became operational on July 1, 2015, and residents currently pay \$22.50 per month for fire protection from the City.

## **THE FLOOD PROTECTION SYSTEM**

### **Design Standards and Atlas 14**

As noted above, the design of the Flood Protection System is subject to regulations promulgated by Fort Bend County and FBCDD, among others. A main design concept at the core of the design standards applicable to the Flood Protection System is the “100-year flood plain.” The “100-year flood plain” is a hypothetical engineering and meteorological concept that defines the geographical area of land that is predicted to be inundated from a flood with a one percent chance of occurring in any particular year. Fort Bend County and FBCDD design standards require homes to be built with foundational slabs at least one foot above the 100-year Base Flood Elevation (“BFE”) for areas mapped within a Special Flood Hazard Area (“SFHA”) as delineated on a Flood Insurance Rate Map (FIRM) (100-year flood plain), and federal regulations require homes to be built above this 100-year water surface elevation to be eligible for federal flood insurance subsidies.

The current Fort Bend County and FBCDD design standards, and the geographical area within the District that comprises the 100-year flood plain, are based on various historical rainfall and river hydrological data sources. In September 2018, the National Oceanic and Atmospheric Administration provided new rainfall data for Texas in its Atlas 14, Volume 11, report (“Atlas 14”). Atlas 14 rainfall data is more detailed and recent than the data provided by the previous historical rainfall and river hydrological data sources used to establish the 100-year flood plain. Since its release, a number of political subdivisions in Texas have begun the process of revising drainage criteria and building design standards based on the new rainfall data provided in Atlas 14. At this time, Fort Bend County and FBCDD have not adopted updated design standards based upon the rainfall data provided by Atlas 14. Nevertheless, FBCDD currently does require new projects and projects not substantially progressed in the building permitting process within its service area to be analyzed and designed utilizing Atlas 14 rainfall data. If Fort Bend County and FBCDD did implement design standards based on Atlas 14 rainfall data, increased rainfall frequency values and the resulting drainage requirements needed to maintain the geographical area that comprises the current 100-year flood plain within the District could cause certain Flood Protection System facilities to be insufficient to meet any such new design standards. Currently it is not anticipated Fort Bend County and FBCDD will require the District to modify or improve its Flood Protection System to meet the new Atlas 14 building standards once they are implemented. Likewise, other structures in the District, including certain homes, would likely not meet any new design standards based on Atlas 14 rainfall data (assuming no District modification of its Flood Protection Facilities to allow such structures to meet Atlas 14 standards), but neither Fort Bend County nor FBCDD have currently indicated any plans to require public or private property owners to modify or improve their property to meet any Atlas 14 building standards that may be implemented.

The Flood Protection System and homes in the SPLID, including the District, have been constructed in compliance with all design standards currently in effect. Moreover, even absent any additional improvements to the current Flood Protection System, the District’s Engineer estimates, but does not guarantee, that based on the current design standards that require foundational slabs to be built at least one foot above the FEMA



BFE for areas mapped in a SFHA, any 100-year flooding event meeting Atlas 14 estimates would be unlikely to result in structural flooding of any buildings and facilities within the District (i.e. based on the current state of the District's Flood Protection System, an Atlas 14 100-year flooding event would likely not be more than 1.5 feet greater than a 100-year flooding event estimated by current design standards).

Notwithstanding the information provided above regarding the Flood Protection System, the Flood Protection System does not protect against, and no flood protection system can protect against, all flooding scenarios. Further, because any definition of the composition of the "100-year flood plain" is based on statistical averages, it is possible that 100-year flooding events can occur more often than every 100 years. In fact, the greater Houston area has experienced three 500-year flooding events since 2015 (i.e. a flooding event that has a 0.2 percent chance of occurring in any particular year). In addition, not every structure in the SPLID is equally protected by the Flood Protection System. While all structures within the SPLID have been built to the design standards in effect at the time of their construction, some structures within the SPLID will always be at greater risk of structural flooding as compared to others.

Although flooding in the SPLID, including the District, could occur for a variety of reasons, the SPLID's engineer has identified the three most likely flooding scenarios that could occur within the SPLID, including the District: (1) an overtopping of the levee, (2) a failure (or breach) of the Flood Protection System, or (3) localized rainfall in excess of the 100-year event. See "INVESTMENT CONSIDERATIONS – Possible Flooding Events" for a description of these scenarios.

### **Flood Protection, Reclamation and Drainage Facilities**

Approximately 9,832 of Sienna Plantation's approximate 10,230 acres are located within the SPLID. The system consists of two independent levee and outfall drainage networks, as well as flood plain reclamation (fill) sites for certain land within SPLID not protected by a levee.

Sienna South Levee and Drainage System – SPLID's initial Plan of Reclamation covered the approximately 6,465 acres of land known as Sienna South. The levee and related outfall structures and channels were completed in 1984.

According to SPLID's engineer, as a result of the construction of the facilities financed by SPLID, all land located within Sienna South was removed from the FEMA SFHA of the Brazos River. Such area located within SPLID is now designated by the applicable FEMA Flood Hazard Boundary Map as lying within a designated "shaded Zone X," which designates an area protected from the Brazos River BFE by a levee. As a result of SPLID's construction of the levee, internal detention and drainage systems, the SPLID's engineer has defined "internal" SFHAs (100-year flood plain) that comply with current design standards. The lowest foundational slab elevation for residential construction, as required by applicable federal and local regulations, are at least one foot above the designated flood plain.

According to SPLID's engineer, the existing levee, drainage outfall system, and pump station are sufficient to provide flood plain reclamation, flood protection and outfall drainage necessary to serve the existing development within the South Levee System, including the lots under development. See "THE FLOOD PROTECTION SYSTEM – Design Standards and Atlas 14" above.

Sienna North Levee and Drainage System – SPLID's Amended Plan of Reclamation covers approximately 2,516 acres in Sienna North, which includes the District. The phase of the levee and related outfall structures and channels were completed in 2004.

According to SPLID's engineer, as a result of the construction of the facilities financed by SPLID, the land located within Sienna North was removed from the 100-year flood plain of the Brazos River. Such area located within SPLID is now designated by the applicable FEMA Flood Insurance Rate Map as lying within a designated "shaded Zone X," which designates an area protected from the Brazos River BFE by a levee. As a result of SPLID's construction of the levee, internal detention and drainage Flood Protection System, SPLID's engineer has defined "internal" SFHAs (100-year flood plain). This flood plain is designated as at least one foot below the lowest floor slab elevation for residential construction, as required by applicable federal and local regulations.

SPLID has completed the construction of all components of the Sienna North Levee and Drainage System to accommodate full development of the land within that system. According to SPLID's engineer, the existing levee and drainage outfall Flood Protection System is sufficient to serve the development within Sienna

North, including the lots under development. See “THE FLOOD PROTECTION SYSTEM – Design Standards and Atlas 14” above.

The Sienna North Levee and Drainage System has experienced unanticipated water infiltration in the past. See “THE FLOOD PROTECTION SYSTEM – Recent Extreme Weather Events” below. One confirmed source of infiltration was a reversed flow of flood water through the gates at the Sienna North Flood Levee and Drainage System storm water outfall structures. According to SPLID’s engineer, improvements to those structures made after Hurricane Harvey will prevent reversed water flows in the future. SPLID’s engineer suspects that a second source of infiltration was groundwater. To remediate this suspected water infiltration source, SPLID has constructed two 100,000 gpm pump stations to serve the Sienna North Levee and Drainage System. According to SPLID’s engineer, these pumping facilities should be sufficient to handle calculated infiltration sources for a flooding event similar to Hurricane Harvey has experienced unanticipated infiltration during recent high water events.

SPLID anticipates making further improvements to the Sienna North Levee and Drainage System as generally described below under “THE FLOOD PROTECTION SYSTEM – Construction of Future Facilities.”

An engineering or regulatory determination that an area is above the BFE is no assurance that homes built in such areas will not be flooded. If substantial or frequent flooding of homes were to occur in the SPLID, including the District, the marketing of homes and the future growth of property values in the SPLID, including the District, could be adversely affected.

### **Recent Extreme Weather Events**

The greater Houston area, including the District, has experienced four 100-year flood events since 2015, the most recent of which was Hurricane Harvey, which made landfall along the Texas gulf coast on August 26, 2017, and brought historic levels of rainfall during the succeeding four days.

The 100-year flood events in 2015 and 2016, while severe, did not cause any structural flooding in the District or the SPLID.

Hurricane Harvey produced an estimated 40 inches of rain in the SPLID over a four-day period. Rainfall from Hurricane Harvey did not result in an overtopping or breach of the District’s levee system and no homes in the District experienced neither street nor structural flooding due to Hurricane Harvey. In addition, approximately 64 homes within the District were damaged by one or more tornadoes caused by Hurricane Harvey. See “INVESTMENT CONSIDERATIONS – Hurricane Harvey.”

The District cannot predict the effect that additional extreme weather events may have upon the District or the District’s drainage or levee system.

### **Construction of Future Internal Drainage Facilities**

The Flood Protection System currently provides flood protection from overflows of the Brazos River to the majority of the land within SPLID. The Flood Protection System also provides detention and outfall drainage facilities to maintain internal water surface elevations in the developed areas below the BFE. SPLID’s original development plans contemplated that as development continued in the SPLID, the District, the municipal utility districts within the boundaries of the SPLID, and/or developers within the SPLID would construct additional pump stations, detention facilities and outfall drainage facilities to maintain water surface elevations at or below the 100-year flood plain. While these development plans remain in place, following Hurricane Harvey and partially in response to new data provided by Atlas 14, the District modified its development plans to improve the Flood Protection System to allow it to better manage extreme weather events such as Hurricane Harvey. In order to implement these modified plans and accelerate improvements to the levee and pump systems in SPLID, in 2018 SPLID held an election and received voter approval authorizing \$139 million in additional levee improvement bonds. SPLID issued its first series of bonds pursuant to such authorization in April 2019, and SPLID currently plans to issue the remaining portion of this authorization and construct the projects authorized by the election within five to seven years. For a discussion on the effectiveness of the SPLID’s development plans on the mitigation of future flooding events, see “INVESTMENT CONSIDERATIONS – Possible Flooding Events.”

## INVESTMENT CONSIDERATIONS

### General

The Bonds are obligations of the District and are not obligations of the State of Texas; Fort Bend County, Texas; the City; or any political subdivision other than the District. The Bonds will be secured by a continuing, direct, annual ad valorem tax, levied without legal limitation as to rate or amount, levied against all taxable property located within the District. The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

### Possible Flooding Events

Overtopping, Levee Failure and Excessive Rainfall – The District and SPLID’s levee and drainage system have been designed and constructed to meet all current regulatory standards. See “THE SYSTEM” and “THE FLOOD PROTECTION SYSTEM.” However, the levee system does not protect against all flooding scenarios. There are three instances in which flooding could occur in the District: (1) an overtopping of the levee, (2) a failure (or breach) of the levee system, or (3) localized rainfall in excess of the 100-year event.

An overtopping of the levee could occur if the Brazos River or its tributaries reach flood stages higher than the 100-year event. The “100-year event” means the river elevation has a statistical 1% chance of occurring in any given year. Current FEMA regulations require an earthen levee to be constructed a minimum of three feet above the level of a 100-year event. The 100-year event elevation for the Brazos River adjacent to SPLID’s levee, ranges from 58.72 feet above mean sea level to 66.40 feet above mean sea level. According to SPLID’s engineer, overtopping of the SPLID levee system may occur from river events with a recurrence interval of less than 0.2% (500-year event) based on the effective FEMA models for the Brazos River in Fort Bend County, Texas.

In addition to the risk of overtopping, a portion of the SPLID, including the District, would experience flooding if the levee failed (or breached) while the Brazos River (or its tributaries) were at a flood stage of less than the 100-year event. In order to mitigate the risk, SPLID performs weekly inspections of the levee to observe any visible deterioration of the levee that is in need of repair. Further, flooding in the SPLID, including the District, could occur if there was a failure of the pump system during a rain event and at the same time the water level in the Brazos River required the gates to be closed. In this event, water could not get out of the internal system fast enough, causing the internal channels and lakes to overflow.

In addition, SPLID, including the District, could experience flooding if a localized rainfall event in excess of the 100-year event were to happen within the levee. The statistical chance of this happening is 1% in any given year. Hurricane Harvey produced this kind of rainfall event, which resulted in significant street flooding and some structural flooding within SPLID, including the District. See “THE FLOOD PROTECTION SYSTEM – Recent Extreme Weather Events.”

During significant high river events in 2016, 2017 and 2018 the Brazos River eroded a portion of the river bank below the river and a portion of SPLID’s south levee. SPLID is currently designing an erosion control system to prevent additional erosion that may threaten the levee. The cost of these improvements is estimated to be approximately \$15,000,000.

Inability to Mitigate All Flooding Risks – SPLID’s Flood Protection System does not protect against, and no flood protection system can protect against, all flooding scenarios. Further, because any definition of the composition of the “100-year flood plain” is based on statistical averages, it is possible that 100-year flooding events can occur more often than every 100 years.

Additionally, SPLID, including the District, experienced two consecutive 100-year Brazos River flood events in April and May of 2016. During the April 2016 event (also known as the Tax Day event), three gates on the North Pump Station Outfall were significantly damaged by debris due to elevated river levels. This led to an infiltration of the Flood Protection System through the damaged gates. This flood event continued into May

2016 (also known as the Memorial Day event) when another 100-year flood event impacted SPLID, including the District. The length of time of this river event, coupled with infiltration through the broken gates, caused several of the pumps to fail. However, SPLID immediately mitigated the flood risk by bringing in temporary drainage pumps, which allowed SPLID to pump out water resulting from the river infiltration until October 2016, when the Brazos River levels eventually returned to below flood stage. During the duration of the 2016 flood events, no structures were damaged or compromised due to floodwaters entering SPLID. Further, it should be noted SPLID has made significant improvements to the pumps and pumping structure and also purchased 14 additional stand-by pumps in order to improve flood fighting ability and further minimize flood risk.

In addition, not every structure in SPLID, including the District, is equally protected by the Flood Protection System. While all structures within SPLID, including the District, have been built to the design standards in effect at the time of their construction, structures with foundational slabs at a lower elevation within the District may be at greater risk of structural flooding as compared to structures with foundational slabs at a higher elevation, and some areas in SPLID, including the District, may be more prone to flooding events than other areas.

Changing Conditions – As described in “THE FLOOD PROTECTION SYSTEM,” new Atlas 14 rainfall data has begun to replace the historical rainfall data upon which the design of the Flood Protection System was based. Additional and more detailed rainfall data may be provided in the future that could cause the assumptions upon which current design standards are based to be inaccurate and cause the Flood Protection System to be insufficient to mitigate future flooding events. Further, weather and rainfall patterns are subject to a variety of environmental factors. Changing environmental conditions and changing rainfall patterns could also cause the assumptions and design standards upon which the Flood Protection System is based to be inaccurate and cause the Flood Protection System to be insufficient to mitigate future flooding events. Neither SPLID nor the District can make no prediction regarding the effect that any such future changing conditions would have on SPLID’s Flood Protection System or its ability to mitigate future flooding events.

### **Hurricane Harvey**

On August 26, 2017, Hurricane Harvey made landfall on the Texas Gulf Coast, severely impacting the entire region, including the District. Hurricane Harvey created a significant amount of rainfall over several days, well in excess of the 100-year threshold across most of the Houston metropolitan area. In addition, a tornado touched down in the District. Approximately 64 homes were damaged by the tornado. Additionally, Fort Bend County, Texas, Judge Bob Hebert called for a mandatory evacuation of the District due to the rise of the Brazos River and the risk of a breach or overtopping of the Flood Protection System. According to the District’s engineer, no homes in the District experienced neither street nor structural flooding due to Hurricane Harvey. See “TAXING PROCEDURES – Valuation of Property for Taxation.”

The District cannot predict the effect that additional extreme weather events may have upon the District or the District’s levee and drainage system. Additional extreme weather events have the potential to cause damage within the District that could have a negative effect on taxable assessed valuations in the District which could cause tax rates to rise. See “– Factors Affecting Taxable Values and Tax Payments – *Maximum Impact on District Tax Rates*” below.

### **Potential Impact of Natural Disaster**

The District is located near the Texas Gulf Coast and, as it has in the past, could be impacted by wide-spread fires, earthquakes, or weather events such as hurricanes, tornadoes, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District’s tax rates.

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

## **Factors Affecting Taxable Values and Tax Payments**

**Location and Access:** The District is located entirely within Fort Bend County, Texas, approximately 22 miles southwest of the central business district of the City of Houston, Texas; approximately 1 mile west of the intersection of the Fort Bend Parkway Toll Road and State Highway 6; approximately 6 miles west of the intersection of Texas State Highway 6 and Texas State Highway 288; and approximately 6 miles east of the intersection of Texas State Highway 6 and U.S. Highway 59. The District is located entirely within the boundaries of the Fort Bend Independent School District and lies partially within the extraterritorial jurisdiction and partially in the corporate boundaries of the City. See "THE DISTRICT."

**Maximum Impact on District Tax Rates:** Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2018 Assessed Valuation of property located within the District (see "TAX DATA") is \$577,308,363 and the 2019 Preliminary Valuation is \$588,312,314. After issuance of the Bonds, the maximum annual debt service requirement on the Remaining Outstanding Bonds and the Bonds will be \$2,418,150 (2023) and the average annual debt service requirements will be \$2,269,227 (2019-2025, inclusive). Assuming no increase to nor decrease from the 2018 Assessed Valuation, tax rates of \$0.45 and \$0.42 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. Assuming no increase to nor decrease from the 2019 Preliminary Valuation, tax rates of \$0.44 and \$0.41 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners.

Increases in the District's tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon future development of the District, the sale and construction of homes within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay ad valorem taxes levied by the District.

## **District Tax Levy and Overlapping District Taxes and Functions**

The entirety of the District is located within the SPLID, a levee improvement district that covers approximately 9,832 acres of land. SPLID has constructed certain improvements to remove land within SPLID from the flood plain and to accommodate storm water drainage within SPLID, including the District. As of April 1, 2019, SPLID has \$104,400,000 principal amount of bonds outstanding. The principal of and interest on SPLID bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property located within SPLID, including the District but not the area in TIRZ 3 (as defined herein). SPLID levied a debt service tax of \$0.28 per \$100 of assessed valuation for 2018, plus a maintenance tax of \$0.17 per \$100 of assessed valuation, for a total 2018 tax of \$0.45 per \$100 of assessed valuation. Since SPLID's debt is payable from an unlimited tax, the full and timely payment of such tax by the owners of property located within SPLID will directly affect SPLID's ability to meet its debt obligations. Furthermore, the absence of continued development and growth of taxable values in SPLID or other factors could result in increases in SPLID's tax rate.

The combined tax rates of the District and SPLID (which total \$0.91 per \$100 valuation) are higher than the tax levy of many municipal utility districts in the Houston metropolitan area.

In the event that SPLID's debt service tax rate of \$0.28 per \$100 of assessed valuation, plus its maintenance tax of \$0.17 per \$100 of assessed valuation, prove to be insufficient to enable SPLID to meet debt service requirements on its indebtedness and/or its maintenance and operating requirements, SPLID would be required to increase its tax rate to a level sufficient to meet such requirements. SPLID's 2018 Assessed Valuation is \$3,526,756,212.

In April 2008, the City designated 582 acres within the City as "Missouri City Tax Increment Reimbursement Zone No. 3" ("TIRZ 3"), of which approximately 500 acres lie within the boundaries of SPLID. SPLID has agreed to contribute 100% of its TIRZ Revenues to the City for the life of TIRZ 3 or thirty years, whichever is less. SPLID's participation in TIRZ 3 has the effect of reducing the tax revenues that are available to SPLID to finance SPLID facilities during the life of TIRZ 3. For the tax year 2018, SPLID's tax increment equaled

\$141,507,329 and generated approximately \$604,944 in revenues based upon SPLID's 2018 tax rate of \$0.45 per \$100 of assessed valuation. After TIRZ 3 is dissolved or after 30 years, SPLID will collect and retain the tax revenue on all of the land previously located in TIRZ 3.

As described in this Official Statement under the caption "SIENNA PLANTATION," the development and construction activity completed within Sienna Plantation includes the development of approximately 7,697 single-family residential lots, the development of 272 rural estate lots in Sienna Point, the development of 104 rural estate lots in The Woods, and the construction of in excess of 7,383 homes of which 167 homes are under construction, plus certain amenities and commercial improvements. Such development and construction activity, together with development and construction activity anticipated to occur within Sienna Plantation in the future, are expected to contribute to increases in Sienna Plantation's assessed valuation. The District cannot guarantee whether any of the land development projects which are planned for or are underway in the District will be successful or whether the assessed valuation of the land located within the District will increase sufficiently to justify continued payment of the District tax by property owners. Increases in SPLID's tax rate so that the combined tax rate between the District and SPLID rises above \$0.91 per \$100 valuation would have an adverse impact upon future development within the District and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

As discussed in this Official Statement under the caption "THE SYSTEM - Master District Contract," on March 9, 2004, the District executed Master District Contract with the Master District, which requires the Master District to supply water to the District and provide wastewater treatment service to the District. The Master District Contract defines the means by which the District's pro rata share and the pro rata share of all other Participant Districts, which are parties to the Master District Contract, of the cost of such service will be determined. The Master District Contract obligates the District to pay such pro rata share in the form of monthly charges per connection and one-time connection charges for each equivalent single-family connection from the proceeds of ad valorem taxes levied for such purpose or from any other lawful source of District income.

The tax rate that may be required to service debt on any bonds issued by the District or SPLID is subject to numerous uncertainties such as the growth of taxable values within such district, the impact of TIRZ 3, the amount of the bonds issued, regulatory approvals, construction costs and market interest rates. There can be no assurances that composite tax rates imposed by overlapping jurisdictions on property situated in the Participant Districts, including the District, will be competitive with the tax rates of competing projects. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

### **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within six months for commercial property and two years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a

bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

### **Registered Owners' Remedies and Bankruptcy**

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no provision for acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners further may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Bankruptcy Limitation to Registered Owners' Rights."

### **Marketability**

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds which are more generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

### **Bond Insurance Risk Factors**

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the provider of the Policy (the "Bond Insurer") at such time and in such amounts as would have been due absent such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and

such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "RATINGS."

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District nor the Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

### **Future Debt**

With the approval of TCEQ, the District may issue additional bonds necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters authorized the issuance of \$18,300,000 principal amount of unlimited tax refunding bonds and \$30,745,000 principal amount of unlimited tax bonds to construct the System, and could authorize additional amounts. Following the issuance of the Bonds, \$16,705,000 unlimited tax refunding bonds remain authorized but unissued and no bonds remain authorized and unissued to construct the System.

The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

### **Competitive Nature of Houston Area Residential Housing Market**

The housing industry in the Houston area is very competitive, and the District can give no assurance that the building programs which are planned by the Developer will be continued or completed. The respective competitive positions of the Developer and any of the homebuilders are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

### **Continuing Compliance with Certain Covenants**

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

### **Approval of the Bonds**

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

### **Environmental Regulations**

Wastewater treatment, water supply, storm sewer facilities and construction activities within the District are subject to complex environmental laws and regulations at the federal, state and local levels that may require or prohibit certain activities that affect the environment, such as:

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;
- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures,



including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

***Air Quality Issues.*** Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston Galveston area (“HGB area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB area, the HGB area remains subject to CAA nonattainment requirements.

The HGB area is currently designated as a severe ozone nonattainment area under the 1997 Ozone Standards. While the EPA has revoked the 1997 Ozone Standards, EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB area remained subject to continuing severe nonattainment area “anti-backsliding” requirements, despite the fact that HGB area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, EPA approved the TCEQ’s “redesignation substitute” for the HGB area under the revoked 1997 Ozone Standards, leaving the HGB area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in South Coast Air Quality Management District v. EPA, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB area under the 1997 Ozone Standard. The court has not responded to EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court’s ruling, the TCEQ has developed a formal request that the HGB area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB area redesignation request under the 1997 Ozone Standards on September 5, 2018.

The HGB area is currently designated as a “moderate” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the HGB area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more-stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB area is currently designated as a “marginal” nonattainment area under the 2015 Ozone Standard. For purposes of the 2015 Ozone Standard, the HGB area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the HGB area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with nonattainment designation. It is possible that additional controls will be necessary to allow the HGB area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls have a negative impact on the HGB area’s economic growth and development.

***Water Supply & Discharge Issues.*** Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) public water supply systems, (2)

wastewater discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and Environmental Protection Agency’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The District, along with all other Sienna Plantation districts, is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District is in the process of preparing its Notice of Intent and Stormwater Management Plan to apply for coverage under the MS4 Permit by the July 23, 2019 deadline. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

In 2015, the EPA and the United States Army Corps of Engineers (“USACE”) promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expands the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR could have an adverse impact on municipal utility districts, including the District, particularly with respect to jurisdictional wetland determinations, and could increase the size and scope of activities requiring USACE permits. The CWR has been challenged in various jurisdictions, including the Southern District of Texas, and the litigation challenging the CWR is still pending.

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind the CWR. In response, the EPA and the USACE subsequently released a proposed rule rescinding the CWR, reinstating the regulatory text that existed prior to the adoption of the CWR and proposing the development of a revised definition of “waters of the United States.” In June 2018, the EPA and USACE issued a supplemental notice of proposed rulemaking to the 2017 proposed action to repeal the 2015 definition of “waters of the United States” to clarify that the agencies are proposing to permanently repeal the CWR in its entirety and reinstate language in place before the adoption of the CWR while developing a revised definition of “waters of the United States.” Meanwhile, in January 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR until 2020 while the agencies finalize actions to repeal and replace the CWR. This rule delaying the effective date of the CWR was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nationwide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 12, 2018, the U.S. District Court for the Southern District of Texas temporarily enjoined the implementation of the CWR in Texas, Louisiana and Mississippi until the case filed by the States of Texas, Louisiana and Mississippi in 2015 is finally resolved.

On December 11, 2018, the EPA and USACE released the proposed replacement definition of “waters of the United States.” The proposed definition outlines six categories of waters that would be considered “waters of the United States,” including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not “waters of the United States,” such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies will take comment on the proposal for 60 days after publication in the Federal Register, which occurred on February 14, 2019. If finalized, the proposed rule would apply nationwide, replacing the patchwork framework for Clean Water Act jurisdiction that has resulted from litigation challenging the CWR.

Due to the pending rulemaking activity and rule challenge litigation, there is significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including permitting requirements.

### **Changes in Tax Legislation**

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

## **LEGAL MATTERS**

### **Legal Opinions**

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, (i) interest on the Bonds is excludable from gross income for federal income tax purposes, and (ii) interest on the Bonds will not be subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS (except for information under the subheading “Book-Entry-Only-System”), “PLAN OF FINANCING, “TAXING PROCEDURES,” “THE SYSTEM – Master District Contract,” “SIENNA PLANTATION – Development Agreement,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

## **No-Litigation Certificate**

The District will furnish the Underwriter a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

## **No Material Adverse Change**

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated in the Official Statement, as it may have been supplemented or amended through the date of sale.

## **TAX MATTERS**

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, (i) interest on the Bonds is excludable from gross income for federal income tax purposes, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals.

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purpose, and in addition, will rely on representations by the District, the District's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. Further, the District has relied on the report of Robert Thomas, CPA, regarding the mathematical accuracy of certain computation. If the District should fail to comply with the covenants in the Resolution or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred

or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

### **Qualified Tax-Exempt Obligations**

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501 (c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities subordinate to the District during calendar year 2019 is not expected to exceed \$10,000,000 and that the District and entities subordinate to the District have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2019.

Notwithstanding this exception, financial institutions acquiring the bonds will be subject to a 20% disallowance of allocable interest expense.

### **VERIFICATION OF MATHEMATICAL CALCULATIONS**

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter on behalf of the District relating to (a) computation of the adequacy of the principal or redemption price of and interest on the Refunded Bonds, (b) the computation of the yields on the Bonds and was verified by Robert Thomas, CPA. The computations were independently verified by Robert Thomas, CPA based upon certain assumptions and information supplied by the Underwriter on behalf of the District, and the District. Robert Thomas, CPA, has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of future events.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Resolution, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

## **Annual Reports**

The District will provide certain updated financial information and operating data to EMMA annually.

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT DEBT" (except under the subheading "Estimated Direct and Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A" (Financial Statements of the District). The District will update and provide this information within six months after the end of each of its fiscal years. The District will provide the updated information to EMMA.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is February 28. Accordingly, it must provide updated information by August 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

## **Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within meaning of the Rule, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

## **Availability of Information from EMMA**

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

## **Limitations and Amendments**

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

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

## **Compliance with Prior Undertakings**

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

## **OFFICIAL STATEMENT**

### **General**

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Developer, the Tax Assessor/Collector and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

### **Experts**

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the section entitled "THE DISTRICT - Description" has been provided by LJA Engineering, Inc. and that engineering information included in the section entitled "THE SYSTEM," as related to "Water Supply" and "Wastewater Treatment," has been provided by Costello, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Ms. Esther Flores of Tax Tech, Inc. and the Appraisal District. Such information has been included herein in reliance upon Ms. Flores's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

### **Certification as to Official Statement**

The District, acting by and through the Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

### **Updating of Official Statement**

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District in writing on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

### **CONCLUDING STATEMENT**

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

This Official Statement was approved by the Board of Directors of Sienna Plantation Municipal Utility District No. 2 as of the date shown on the first page hereof.

/s/ Michael Kroboth  
President, Board of Directors  
Sienna Plantation Municipal Utility District No. 2

ATTEST:

/s/ Jeff Farrar  
Secretary, Board of Directors  
Sienna Plantation Municipal Utility District No. 2



**APPENDIX A**  
**FINANCIAL STATEMENTS OF THE DISTRICT**

**SIENNA PLANTATION MUNICIPAL  
UTILITY DISTRICT NO. 2**

**FORT BEND COUNTY, TEXAS**

**FINANCIAL REPORT**

**February 28, 2018**

## Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditors' Report		1
Management's Discussion and Analysis		5
<b>BASIC FINANCIAL STATEMENTS</b>		
Statement of Net Position and Governmental Funds Balance Sheet		12
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		13
Notes to Basic Financial Statements		15
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Budgetary Comparison Schedule – General Fund		34
Notes to Required Supplementary Information		35
<b>TEXAS SUPPLEMENTARY INFORMATION</b>		
Services and Rates	TSI-1	38
General Fund Expenditures	TSI-2	40
Investments	TSI-3	41
Taxes Levied and Receivable	TSI-4	42
Long-Term Debt Service Requirements by Years	TSI-5	43
Change in Long-Term Bonded Debt	TSI-6	47
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	48
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	50
Board Members, Key Personnel and Consultants	TSI-8	52

# McGrath & Co., PLLC

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Sienna Plantation Municipal Utility District No. 2, as of and for the year ended February 28, 2018, and the related notes to the financial statements, which collectively comprise the 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 basic 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 basic financial statements are free of 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 principles 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 to provide a basis for our audit opinions.

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

**Opinion**

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 Sienna Plantation Municipal Utility District No. 2, as of February 28, 2018, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other-Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it 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.

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

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

Houston, Texas  
June 18, 2018

## Management's Discussion and Analysis

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***Sienna Plantation Municipal Utility District No. 2  
Management's Discussion and Analysis  
February 28, 2018***

**Using this Annual Report**

Within this section of the financial report of Sienna Plantation Municipal Utility District No. 2 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended February 28, 2018. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

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



***Sienna Plantation Municipal Utility District No. 2  
Management's Discussion and Analysis  
February 28, 2018***

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

**Fund Financial Statements**

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

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

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

The District's net position at February 28, 2018, was \$10,907,011. A comparative summary of the District's overall financial position, as of February 28, 2018 and 2017, is as follows:

	2018	2017
Current and other assets	\$ 9,186,221	\$ 9,183,847
Capital assets	18,024,844	18,710,207
Total assets	<u>27,211,065</u>	<u>27,894,054</u>
 Total deferred outflows of resources	 <u>321,609</u>	 <u>368,843</u>
 Current liabilities	 2,116,334	 2,212,559
Long-term liabilities	14,509,329	16,349,090
Total liabilities	<u>16,625,663</u>	<u>18,561,649</u>
 Net position		
Net investment in capital assets	2,143,774	1,120,003
Restricted	3,686,130	3,659,906
Unrestricted	5,077,107	4,921,339
Total net position	<u>\$ 10,907,011</u>	<u>\$ 9,701,248</u>

***Sienna Plantation Municipal Utility District No. 2  
Management's Discussion and Analysis  
February 28, 2018***

The total net position of the District increased during the current fiscal year by \$1,205,763. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2018	2017
Revenues		
Property taxes, penalties and interest	\$ 3,020,383	\$ 3,350,718
Water and sewer service	1,236,758	1,311,762
Other	1,078,845	1,119,475
Total revenues	<u>5,335,986</u>	<u>5,781,955</u>
Expenses		
Current service operations	1,482,650	1,544,332
Debt interest and fees	611,446	667,117
Intergovernmental	1,194,744	1,144,061
Depreciation and amortization	841,383	833,582
Total expenses	<u>4,130,223</u>	<u>4,189,092</u>
Change in net position	1,205,763	1,592,863
Net position, beginning of year	9,701,248	8,108,385
Net position, end of year	<u>\$ 10,907,011</u>	<u>\$ 9,701,248</u>

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

The District's combined fund balances, as of February 28, 2018, were \$8,680,044, which consists of \$5,017,535 in the General Fund and \$3,662,509 in the Debt Service Fund.

*General Fund*

A comparative summary of the General Fund's financial position as of February 28, 2018 and 2017 is as follows:

	2018	2017
Total assets	<u>\$ 5,150,567</u>	<u>\$ 5,136,040</u>
Total liabilities	\$ 73,460	\$ 214,701
Total deferred inflows	59,572	51,761
Total fund balance	<u>5,017,535</u>	<u>4,869,578</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 5,150,567</u>	<u>\$ 5,136,040</u>

***Sienna Plantation Municipal Utility District No. 2  
Management's Discussion and Analysis  
February 28, 2018***

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

	2018	2017
Total revenues	\$ 2,912,734	\$ 3,372,189
Total expenditures	(2,764,777)	(2,624,506)
Revenues over expenditures	<u>\$ 147,957</u>	<u>\$ 747,683</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy and the provision of water and sewer services to customers within the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While assessed values in the District increased from the prior year, property tax revenues decreased because the District decreased the maintenance component of the levy.
- Water, sewer and surface water revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Revenues from providing fire protection services are based on the number of connections in the District and fluctuates as the number of connections change during the year.

*Debt Service Fund*

A comparative summary of the Debt Service Fund's financial position as of February 28, 2018 and 2017 is as follows:

	2018	2017
Total assets	<u>\$ 3,914,004</u>	<u>\$ 3,907,764</u>
Total liabilities	\$ 3,155	\$ 1,389
Total deferred inflows	248,340	163,452
Total fund balance	3,662,509	3,742,923
Total liabilities, deferred inflows and fund balance	<u>\$ 3,914,004</u>	<u>\$ 3,907,764</u>

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

	2018	2017
Total revenues	\$ 2,330,554	\$ 2,397,138
Total expenditures	(2,410,968)	(2,404,168)
Revenues under expenditures	<u>\$ (80,414)</u>	<u>\$ (7,030)</u>

***Sienna Plantation Municipal Utility District No. 2  
Management's Discussion and Analysis  
February 28, 2018***

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

**General Fund Budgetary Highlights**

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$392,086 less than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

**Capital Assets**

Capital assets held by the District at February 28, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Capital assets not being depreciated		
Land and improvements	\$ 162,500	\$ 162,500
Capital assets being depreciated/amortized		
Infrastructure	24,655,631	24,655,631
Master District connection charges	5,842,071	5,686,051
	<u>30,497,702</u>	<u>30,341,682</u>
Less accumulated depreciation/amortization		
Infrastructure	(8,595,363)	(8,046,085)
Master District connection charges	(4,039,995)	(3,747,890)
	<u>(12,635,358)</u>	<u>(11,793,975)</u>
Depreciable capital assets, net	<u>17,862,344</u>	<u>18,547,707</u>
Capital assets, net	<u>\$ 18,024,844</u>	<u>\$ 18,710,207</u>

Capital asset additions during the current year consisted of capital connection charges paid to Sienna Plantation Municipal Utility District No. 1.

*Sienna Plantation Municipal Utility District No. 2  
 Management's Discussion and Analysis  
 February 28, 2018*

**Long-Term Debt and Related Liabilities**

At February 28, 2018 and 2017, the District had total bonded debt outstanding as shown below:

<u>Series</u>	<u>2018</u>	<u>2017</u>
2009 Refunding	\$ 2,725,000	\$ 3,430,000
2010 Refunding	4,950,000	5,260,000
2014 Refunding	8,475,000	9,210,000
	<u>\$ 16,150,000</u>	<u>\$ 17,900,000</u>

At February 28, 2018, the District had \$16,750,000 unlimited tax bonds authorized, but unissued for refunding purposes.

**Next Year's Budget**

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

	<u>2018 Actual</u>	<u>2019 Budget</u>
Total revenues	\$ 2,912,734	\$ 3,036,840
Total expenditures	(2,764,777)	(2,683,929)
Revenues over expenditures	147,957	352,911
Beginning fund balance	4,869,578	5,017,535
Ending fund balance	<u>\$ 5,017,535</u>	<u>\$ 5,370,446</u>

## Basic Financial Statements

*Sienna Plantation Municipal Utility District No. 2*  
*Statement of Net Assets and Governmental Funds Balance Sheet*  
*February 28, 2018*

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Assets
<b>Assets</b>					
Cash	\$ 82,838	\$ 500,100	\$ 582,938	\$ -	\$ 582,938
Investments	4,750,571	3,249,049	7,999,620		7,999,620
Taxes receivable, net	59,572	248,340	307,912		307,912
Customer service receivables, net	167,186		167,186		167,186
Internal balances	83,485	(83,485)			
Prepaid items	6,915		6,915		6,915
Prepaid bond insurance, net				121,650	121,650
Capital assets not being depreciated				162,500	162,500
Capital assets, net				17,862,344	17,862,344
Total Assets	<u>\$ 5,150,567</u>	<u>\$ 3,914,004</u>	<u>\$ 9,064,571</u>	<u>18,146,494</u>	<u>27,211,065</u>
<b>Deferred Outflows of Resources</b>					
Deferred difference on refunding				321,609	321,609
<b>Liabilities</b>					
Accounts payable	\$ 66,493	\$ -	\$ 66,493		66,493
Other payable		3,155	3,155		3,155
Due to other governments	1,501		1,501		1,501
Customer deposits	5,466		5,466		5,466
Accrued interest payable				224,719	224,719
Long-term debt					
Due within one year				1,815,000	1,815,000
Due after one year				14,509,329	14,509,329
Total Liabilities	<u>73,460</u>	<u>3,155</u>	<u>76,615</u>	<u>16,549,048</u>	<u>16,625,663</u>
<b>Deferred Inflows of Resources</b>					
Deferred property taxes	59,572	248,340	307,912	(307,912)	
<b>Fund Balances/Net Position</b>					
<b>Fund Balances</b>					
Nonspendable	6,915		6,915	(6,915)	
Restricted		3,662,509	3,662,509	(3,662,509)	
Unassigned	5,010,620		5,010,620	(5,010,620)	
Total Fund Balances	<u>5,017,535</u>	<u>3,662,509</u>	<u>8,680,044</u>	<u>(8,680,044)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,150,567</u>	<u>\$ 3,914,004</u>	<u>\$ 9,064,571</u>		
<b>Net Position</b>					
Invested in capital assets, net of related debt				2,143,774	2,143,774
Restricted for debt service				3,686,130	3,686,130
Unrestricted				5,077,107	5,077,107
Total Net Position				<u>\$ 10,907,011</u>	<u>\$ 10,907,011</u>

See notes to basic financial statements.

*Sienna Plantation Municipal Utility District No. 2  
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended February 28, 2018*

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>					
Water service	\$ 663,491	\$ -	\$ 663,491	\$ -	\$ 663,491
Sewer service	573,267		573,267		573,267
Fire service	406,682		406,682		406,682
Property taxes	596,433	2,267,178	2,863,611	74,034	2,937,645
Penalties and interest	30,165	33,909	64,074	18,664	82,738
Tap connection and inspection	8,816		8,816		8,816
Surface water (Note 8)	578,396		578,396		578,396
Miscellaneous	4,178	646	4,824		4,824
Investment earnings	51,306	28,821	80,127		80,127
<b>Total Revenues</b>	<b>2,912,734</b>	<b>2,330,554</b>	<b>5,243,288</b>	<b>92,698</b>	<b>5,335,986</b>
<b>Expenditures/Expenses</b>					
Current service operations					
Professional fees	116,219		116,219		116,219
Contracted services	350,540	64,266	414,806		414,806
Repairs and maintenance	276,560		276,560		276,560
Utilities	4,762		4,762		4,762
Administrative	51,336	4,371	55,707		55,707
Other	10,156		10,156		10,156
Surface water (Note 8)	604,440		604,440		604,440
Capital outlay	156,020		156,020	(156,020)	
Debt service					
Principal		1,750,000	1,750,000	(1,750,000)	
Interest and fees		592,331	592,331	19,115	611,446
Intergovernmental					
Monthly connection charges	582,255		582,255		582,255
Contractual obligations	16,000		16,000		16,000
Master District replacement fund	68,123		68,123		68,123
Fire protection services	428,366		428,366		428,366
Capital contribution	100,000		100,000		100,000
Depreciation and amortization				841,383	841,383
<b>Total Expenditures/Expenses</b>	<b>2,764,777</b>	<b>2,410,968</b>	<b>5,175,745</b>	<b>(1,045,522)</b>	<b>4,130,223</b>
<b>Revenues Over/(Under) Expenditures</b>	<b>147,957</b>	<b>(80,414)</b>	<b>67,543</b>	<b>(67,543)</b>	
<b>Change in Net Position</b>				<b>1,205,763</b>	<b>1,205,763</b>
Fund Balances/Net Position					
Beginning of the year	4,869,578	3,742,923	8,612,501	1,088,747	9,701,248
<b>End of the year</b>	<b>\$ 5,017,535</b>	<b>\$ 3,662,509</b>	<b>\$ 8,680,044</b>	<b>\$ 2,226,967</b>	<b>\$ 10,907,011</b>

See notes to basic financial statements.



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*Sienna Plantation Municipal Utility District No. 2*  
*Notes to Basic Financial Statements*  
*February 28, 2018*

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

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

**Creation**

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated March 10, 1997, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on March 12, 1997 and the first bonds were sold on August 9, 1997.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

**Reporting Entity**

The District is a political subdivision of the State of Texas governed by an elected five-member board. The Governmental Accounting Standards Board has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

**Government-Wide and Fund Financial Statements**

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

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

*Sienna Plantation Municipal Utility District No. 2  
Notes to Basic Financial Statements  
February 28, 2018*

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

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

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

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.

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

**Measurement Focus and Basis of Accounting**

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

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

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

**Use of Restricted Resources**

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

*Sienna Plantation Municipal Utility District No. 2*  
*Notes to Basic Financial Statements*  
*February 28, 2018*

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

**Prepaid Items**

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

**Prepaid Bond Insurance**

Prepaid bond insurance reduces the District’s borrowing costs and is, therefore, recorded as asset in the government-wide *Statement of Net Position* and amortized to interest expense over the life of the bonds.

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At February 28, 2018, allowances of \$187 and \$7,000 were provided for possible uncollectible property taxes and water/sewer accounts, respectively.

**Interfund Activity**

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

**Capital Assets**

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities and Master District connection charges paid to Sienna Plantation Municipal Utility District No. 1, are depreciated or amortized using the straight-line method as follows:

Assets	Useful Life
Infrastructure	20-45 years
Master District connection charges	20 years

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

**Deferred Inflows and Outflows of Financial Resources**

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

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

Deferred outflows of financial resources at the government-wide level are from refunding bond transactions in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

**Net Position – Governmental Activities**

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

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

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

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

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

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

*Sienna Plantation Municipal Utility District No. 2*  
*Notes to Basic Financial Statements*  
*February 28, 2018*

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

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectibility of receivables and the useful lives and impairment of capital assets. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

**Significant Bond Resolution and Legal Requirements**

The District has agreed to file certain information with a Nationally Recognized Municipal Securities Information Repository (NRMSIR) within six months of the District's fiscal year end. The information required to be provided to the NRMSIR includes a copy of the District's annual financial statement and other specific information including the District's debt and fund balances, tax data, investment authority and investment practices, investment policy and the system rates.

The bond resolutions require the District to provide certain updated financial information and operating data annually and timely notice of specified material events, to certain information to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the electronic Municipal Market Access ("EMMA") system to receive such information and data.

*Sienna Plantation Municipal Utility District No. 2*  
*Notes to Basic Financial Statements*  
*February 28, 2018*

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

**Significant Bond Resolution and Legal Requirements (continued)**

The bond resolutions state that if the District does not qualify for an exception to the requirements of Section 148(f) of the Internal Revenue Code relating to the required rebate to the United States, the District will take all necessary steps to comply with the requirement that certain amounts earned by the District on the investment of the “gross proceeds” of the Bonds (with the meaning of Section 148(f)(6)(B) of the Code), be rebated to the federal government. This provision has certain records retention requirements, calculation requirements and a requirement to pay the rebate calculated not less often than every fifth anniversary date of the delivery of the Bonds.

*Sienna Plantation Municipal Utility District No. 2*  
*Notes to Basic Financial Statements*  
*February 28, 2018*

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

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

Total fund balance, governmental funds		\$ 8,680,044
Prepaid bond insurance is recorded as an expenditure at the fund level, but is recorded as a prepaid asset and amortized to interest expense over the life of the bonds in the government wide statements.		121,650
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 30,660,202	
Less accumulated depreciation/amortization	<u>(12,635,358)</u>	
Change due to capital assets		18,024,844
The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the <i>Statement of Net Position</i> and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.		321,609
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds, the difference consists of:		
Bonds payable, net	(16,324,329)	
Interest payable on bonds	<u>(224,719)</u>	
Change due to long-term debt		(16,549,048)
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		
Property taxes receivable	253,855	
Penalty and interest receivable	<u>54,057</u>	
Change due to property taxes		307,912
Total net assets - governmental activities		<u><u>\$ 10,907,011</u></u>



*Sienna Plantation Municipal Utility District No. 2*  
*Notes to Basic Financial Statements*  
*February 28, 2018*

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

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

Net change in fund balances - total governmental funds	\$	67,543
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Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest.

		92,698
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Governmental funds report capital outlays as expenditures. However, in the *Statement of Activities*, the cost of the assets are allocated over their estimated lives as depreciation/amortization expense.

Capital outlay expenditures	156,020		
Depreciation/amortization expense	(841,383)		
			(685,363)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Principal payments	\$ 1,750,000		
Interest expense accrual	(19,115)		
			1,730,885

Change in net assets of governmental activities	\$	1,205,763
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**Note 3 – Deposits and Investments**

**Deposit Custodial Credit Risk**

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

*Sienna Plantation Municipal Utility District No. 2*  
*Notes to Basic Financial Statements*  
*February 28, 2018*

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

**Investments**

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

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

As of February 28, 2018, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
TexPool	General	\$ 936			
	Debt Service	1,862,778			
		<u>1,863,714</u>	23%	AAAm	27 days
Texas CLASS	General	4,749,635			
	Debt Service	1,386,271			
		<u>6,135,906</u>	77%	AAAm	34 days
Total		<u>\$ 7,999,620</u>	<u>100%</u>		

*Sienna Plantation Municipal Utility District No. 2*  
*Notes to Basic Financial Statements*  
*February 28, 2018*

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

**TexPool**

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District's position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

**Texas CLASS**

The District also participates in Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administrator and Wells Fargo Bank as the custodian.

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

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

**Investment Credit and Interest Rate Risk**

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

*Sienna Plantation Municipal Utility District No. 2*  
*Notes to Basic Financial Statements*  
*February 28, 2018*

**Note 4 – Interfund Balances and Transactions**

Amounts due to/from other funds at February 28, 2018, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 83,485	Maintenance and contract tax collections not remitted as of year end

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

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended February 28, 2018, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 162,500	\$ -	\$ 162,500
Capital assets being depreciated/amortized			
Infrastructure	24,655,631		24,655,631
Master District connection charges	5,686,051	156,020	5,842,071
	<u>30,341,682</u>	<u>156,020</u>	<u>30,497,702</u>
Less accumulated depreciation/amortization			
Infrastructure	(8,046,085)	(549,278)	(8,595,363)
Master District connection charges	(3,747,890)	(292,105)	(4,039,995)
	<u>(11,793,975)</u>	<u>(841,383)</u>	<u>(12,635,358)</u>
Capital assets being depreciated/amortized, net	<u>18,547,707</u>	<u>(685,363)</u>	<u>17,862,344</u>
Capital assets, net	<u>\$ 18,710,207</u>	<u>\$ (685,363)</u>	<u>\$ 18,024,844</u>

Depreciation/amortization expense for the current year was \$841,383.

*Sienna Plantation Municipal Utility District No. 2*  
*Notes to Basic Financial Statements*  
*February 28, 2018*

**Note 6 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 16,150,000
Unamortized discounts	(175,969)
Unamortized premium	350,298
	<u>\$ 16,324,329</u>
Due within one year	<u>\$ 1,815,000</u>

The District's bonds payable at February 28, 2018, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/Ending	Interest Payment Dates	Call Dates
2009 Refunding	\$ 2,725,000	\$ 8,145,000	3.00% - 4.50%	October 1, 2010/2024	April 1, October 1	October 1, 2018
2010 Refunding	4,950,000	6,770,000	2.00% - 4.00%	October 1, 2011/2025	April 1, October 1	October 1, 2018
2014 Refunding	8,475,000	9,430,000	2.00% - 3.50%	October 1, 2015/2025	April 1, October 1	October 1, 2022
	<u>\$ 16,150,000</u>					

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

At February 28, 2018, the District had authorized but unissued bonds in the amount of \$16,750,000 for refunding purposes.

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

Bonds payable, beginning of year	\$ 17,900,000
Bonds retired	(1,750,000)
Bonds payable, end of year	<u>\$ 16,150,000</u>

*Sienna Plantation Municipal Utility District No. 2*  
*Notes to Basic Financial Statements*  
*February 28, 2018*

**Note 6 – Long-Term Debt (continued)**

As of February 28, 2018, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2019	\$ 1,815,000	\$ 539,325	\$ 2,354,325
2020	1,885,000	485,025	2,370,025
2021	1,965,000	425,125	2,390,125
2022	2,065,000	372,725	2,437,725
2023	2,120,000	313,750	2,433,750
2024	2,215,000	239,075	2,454,075
2025	1,980,000	154,575	2,134,575
2026	2,105,000	78,025	2,183,025
	<u>\$ 16,150,000</u>	<u>\$ 2,607,625</u>	<u>\$ 18,757,625</u>

**Note 7 – Property Taxes**

On August 9, 1997, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.10 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2018 fiscal year was financed through the 2017 tax levy, pursuant to which the District levied property taxes of \$0.51 per \$100 of assessed value, of which \$0.105 was allocated to maintenance and operations and \$0.405 was allocated to debt service. The resulting tax levy was \$2,945,173 on the adjusted taxable value of \$577,484,924.

Net property taxes receivable, at February 28, 2018, consisted of the following:

Current year taxes receivable	\$ 165,869
Prior years taxes receivable	88,173
Less allowance for uncollectible accounts	(187)
	<u>253,855</u>
Penalty and interest receivable	54,057
Net property taxes receivable	<u>\$ 307,912</u>

*Sienna Plantation Municipal Utility District No. 2*  
*Notes to Basic Financial Statements*  
*February 28, 2018*

**Note 8 – Contracts with Sienna Plantation Municipal Utility District No. 1**

The District, together with each conservation and reclamation district located within Sienna Plantation, has contracted with Sienna Plantation Municipal Utility District No. 1 (the “Master District”) to provide water supply and distribution, sewage collection and treatment services, major trunk storm sewer drainage services, fire protection and other services and facilities permitted by law for the entire Sienna Plantation development. The District has incurred, or incurs, the following expenditures with respect to this contract:

- The District’s proportionate share of the Master District’s capital cost (connection charges),
- Monthly connection charges in an amount sufficient to meet the District’s prorated share of the operational and maintenance costs of the central facilities, based on the relevant use of such facilities by customers in the District,
- Monthly charges for the District’s share of surface water fees,
- Monthly charges for the Master District’s renewal and replacement fund, which was established by the Master District to provide funding to repair and replace aging Master District facilities,
- Monthly charges for the District’s share of fire protection services from the City of Missouri City,
- Contract tax payments for the District’s pro-rata share of construction, expansion and improvements of Master District facilities financed by the District’s contract tax levy, and
- Other amounts as required by the Master District to finance the District’s portion of regional facilities.

During the period ended February 28, 2018, charges incurred by the District during the year are reported on the Statement of Activities as follows:

- Monthly connection charges for services in the amount of \$582,255,
- Contractual obligations in the amount of \$16,000 for the District’s pro-rata share of the purchase of a wastewater treatment plant,
- Charges for the Master District renewal and replacement fund in the amount of \$68,123, and
- Monthly charges for fire protection services of \$428,366.

During the year, surface water fees billed to customers within the District will typically equal the amount paid to the Master District for the District’s share of surface water expenses. However, during the current year a timing difference occurred which resulted in the recognition of thirteen months of expenses and twelve months of revenues. On a cash basis, the amounts paid to the Master District equaled the amounts collected from the District’s customers.

**Note 8 – Contracts with Sienna Plantation Municipal Utility District No. 1 (continued)**

**Master District Debt**

The Master District is authorized to issue bonds for the purpose of acquiring and constructing facilities needed to provide services to all participating districts. The District shall contribute to the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts. The Master District issued contract revenue bonds subsequent to year end. See Note 12 for additional information.

**Wastewater Treatment Services Contract**

Regional wastewater treatment services will be provided to each district within Sienna Plantation by the Master District pursuant to the First Amendment and Restated Wastewater Treatment Services Contract (the “Wastewater Agreement”) between the Master District and the City of Missouri City (the “City”). Pursuant to the Wastewater Agreement, the Master District will operate and maintain one or more temporary wastewater treatment plants to serve development within Sienna Plantation until such time as it has been determined that a permanent wastewater treatment plant is required. The Master District is responsible for the ultimate design and construction of the permanent wastewater treatment plant, with the costs of such facility allocated among the participating districts on a prorate basis. The Master District agrees to obtain City approval prior to the design and construction of the permanent wastewater treatment plant and to ensure proper compliance with the City’s regionalization scheme. The District will be responsible for its pro-rata share of capital and operating costs for the wastewater treatment plant.

**Fire Protection Services**

On June 25, 2015, the Master District entered into the Operations Agreement for Fire Protection Services for Sienna Plantation (the “Operations Agreement”) with the City. The Operations Agreement established the terms and conditions under which the City will provide fire protection services to Sienna Plantation and will be reimbursed for the cost of providing those services. Pursuant to the Operations Agreement, the Master District will pay the City each month for one-twelfth the annual operating and capital costs of providing fire protection services. The City will recalculate the cost every year in June.

The District executed a Joinder and Third Party Beneficiary to the Operations Agreement on April 20, 2015, whereby the District agreed to be bound by the terms and conditions of the Operations Agreement and to pay the Master District for its pro-rata share of operating costs and capital costs. As of February 28, 2018, the monthly charge is \$21.50 per connection.



***Sienna Plantation Municipal Utility District No. 2***  
***Notes to Basic Financial Statements***  
***February 28, 2018***

**Note 9 – Agreements with City of Missouri City**

The developers of Sienna Plantation have entered into the Sienna Plantation Joint Development agreement with the City of Missouri City dated February 19, 1996, as amended, (collectively, the “Development Agreement”) which stipulates the City’s regulatory authority over the development of Sienna Plantation, establishes certain restrictions and commitments related to the development of Sienna Plantation, sets forth detailed design and construction standards, stipulates a formula for determining the time of annexation of land within Sienna Plantation by the City and identifies and establishes a master plan for the development of Sienna Plantation. The development of all land within Sienna Plantation is governed by the provisions of the Development Agreement.

The District has also entered into a Strategic Partnership Agreement with the City dated March 19, 2001, which stipulates the City’s regulatory authority over the District; stipulates a formula for determining the time of annexation of land within the District by the City and identifies and establishes a master plan for the development of the District.

In both of the above agreements, the City agrees not to annex the property in any district before such time as: (i) at least 90% of the developable acreage within such district has been developed with water, wastewater treatment and drainage facilities; and (ii) the Developer has been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement. The District has developed in excess of 90% of the developable acreage with water, sewer and drainage facilities.

**Note 10 – Cost Sharing Agreement**

On December 28, 2016, the District executed a cost sharing agreement with Sienna Plantation Municipal Utility District No. 3 (SP MUD 3) and Sienna Plantation Levee Improvement District (SP LID) for the purchase and installation of restroom facilities in conjunction with SP LID’s project to improve the athletic fields at Baines Middle School. Pursuant to this agreement, the District is responsible for 33% of the cost, not to exceed \$100,000. SP MUD 3 is responsible for 67% of costs not to exceed \$200,000. SP LID is responsible for all costs in excess of \$300,000. The District’s payment to SP LID was made during the current year. This amount is recognized as a capital contribution on the *Statement of Activities*.

**Note 11 – Risk Management**

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

*Sienna Plantation Municipal Utility District No. 2*  
*Notes to Basic Financial Statements*  
*February 28, 2018*

**Note 12 – Subsequent Event**

On May 29, 2018, the Master District issued its \$25,010,000 Series 2018 Contract Revenue Bonds to finance the construction of certain regional facilities, including the Central lift station, South wastewater treatment plant, North wastewater treatment plant, and City of Missouri City wastewater treatment plant expansion. Additionally, the District is obligated to pay a cash contribution in the amount of \$4,628,697 for the construction of these projects.

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## Required Supplementary Information

*Sienna Plantation Municipal Utility District No. 2  
 Required Supplementary Information-Budgetary Comparison Schedule - General Fund  
 For the Year Ended February 28, 2018*

	Final	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Water service	\$	660,000	\$ 663,491	\$ 3,491
Sewer service		540,000	573,267	33,267
Fire service		431,124	406,682	(24,442)
Property taxes		889,185	596,433	(292,752)
Penalties and interest		24,000	30,165	6,165
Tap connection and inspection		7,860	8,816	956
Surface water*		619,011	578,396	(40,615)
Miscellaneous		3,000	4,178	1,178
Investment earnings		13,200	51,306	38,106
<b>Total Revenues</b>		<b>3,187,380</b>	<b>2,912,734</b>	<b>(274,646)</b>
<b>Expenditures</b>				
Current service operations				
Professional fees		108,100	116,219	(8,119)
Contracted services		359,400	350,540	8,860
Repairs and maintenance		370,880	276,560	94,320
Utilities		8,400	4,762	3,638
Administrative		83,741	51,336	32,405
Other		14,844	10,156	4,688
Surface water*		631,644	604,440	27,204
Capital outlay			156,020	(156,020)
Intergovernmental				
Monthly connection charges		571,764	582,255	(10,491)
Contractual obligations			16,000	(16,000)
Master District replacement fund		67,440	68,123	(683)
Fire protection services		431,124	428,366	2,758
Capital contribution			100,000	(100,000)
<b>Total Expenditures</b>		<b>2,647,337</b>	<b>2,764,777</b>	<b>(117,440)</b>
<b>Revenues Over Expenditures</b>		<b>540,043</b>	<b>147,957</b>	<b>(392,086)</b>
<b>Fund Balance</b>				
Beginning of the year		4,869,578	4,869,578	
<b>End of the year</b>	<b>\$</b>	<b>5,409,621</b>	<b>\$ 5,017,535</b>	<b>\$ (392,086)</b>

\*Surface water fees billed to customers within the District will typically equal the amount paid to Sienna Plantation Municipal Utility District No. 1 (the "Master District") for the District's share of surface water expenses. However, during the current year a timing difference occurred which resulted in the recognition of thirteen months of expenses and twelve months of revenues. On a cash basis, the amount collected from customers within the District equaled the amount paid to the Master District.

*Sienna Plantation Municipal Utility District No. 2*  
*Notes to Required Supplementary Information*  
*February 28, 2018*

**Budgets and Budgetary Accounting**

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

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## Texas Supplementary Information



**Sienna Plantation Municipal Utility District No. 2**  
**TSI-1. Services and Rates**  
**February 28, 2018**

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

- Retail Water       Wholesale Water       Solid Waste/Garbage       Drainage  
 Retail Wastewater       Wholesale Wastewater       Flood Control       Irrigation  
 Parks/Recreation       Fire Protection       Roads       Security  
 Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)  
 Other (Specify): \_\_\_\_\_

2. Retail Service Providers

(You may omit this information if your district does not provide retail services)

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Gallons Over Minimum Usage	Usage Levels
Water:	\$ 26.10	10,000	N	\$ 2.00	10,001 to 20,000
				\$ 2.50	20,001 to no limit
Wastewater:	\$ 30.64		Y		
Surcharge:	\$ 2.33	1,000	N	\$ 2.33	1,000 to no limit

District employs winter averaging for wastewater usage:  Yes       No

Total charges per 10,000 gallons usage:      Water \$ 49.40      Wastewater \$ 30.64

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
less than 3/4"	1,183	1,173	x 1.0	1,173
1"	559	552	x 2.5	1,380
1.5"	6	6	x 5.0	30
2"	32	32	x 8.0	256
3"			x 15.0	
4"	1	1	x 25.0	25
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	1,781	1,764		2,864
Total Wastewater	1,605	1,590	x 1.0	1,590

See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 2*  
*TSI-1. Services and Rates*  
*February 28, 2018*

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):  
 (You may omit this information if your district does not provide water)

Gallons pumped into system:	<u>257,091,000</u>	*	Water Accountability Ratio:
			(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>257,091,000</u>		<u>100.00%</u>

4. Standby Fees (authorized only under TWC Section 49.231):  
 (You may omit this information if your district does not levy standby fees)

Does the District have Debt Service standby fees? Yes  No

If yes, Date of the most recent commission Order: \_\_\_\_\_

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

If yes, Date of the most recent commission Order: \_\_\_\_\_

5. Location of District (required for first audit year or when information changes,  
 otherwise this information may be omitted):

Is the District located entirely within one county? Yes  No

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

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

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

Is the District located within a city's extra territorial jurisdiction (ETJ)?  
 Entirely  Partly  Not at all

ETJs in which the District is located: City of Missouri City

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

If Yes, by whom? \_\_\_\_\_

\* Purchased from Sienna Plantation Municipal Utility District No. 1  
 See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 2  
TSI-2 General Fund Expenditures  
For the Year Ended February 28, 2018*

Professional fees		
Legal		\$ 97,067
Audit		12,100
Engineering		7,052
		<u>116,219</u>
Contracted services		
Bookkeeping		18,825
Operator		45,797
Garbage collection		272,987
Tap connection and inspection		12,931
		<u>350,540</u>
Repairs and maintenance		<u>276,560</u>
Utilities		<u>4,762</u>
Administrative		
Directors fees		7,350
Printing and office supplies		26,536
Insurance		8,858
Other		8,592
		<u>51,336</u>
Other		<u>10,156</u>
Surface water (Note 8)		<u>604,440</u>
Capital outlay		<u>156,020</u>
Intergovernmental		
Monthly connection charges		582,255
Contractual obligations		16,000
Master District replacement fund		68,123
Fire protection services		428,366
Capital contribution		100,000
		<u>1,194,744</u>
Total expenditures		<u>\$ 2,764,777</u>

Reporting of Utility Consumption in Accordance with HB 3693;

	<u>Usage</u>	<u>Cost</u>
Electrical (kWh)	36,040 kWh	\$ 4,762
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 2*  
*TSI-3. Investments*  
*February 28, 2018*

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year
General				
TexPool	2573000002	Variable	N/A	\$ 21
TexPool	2573000009	Variable	N/A	915
Texas CLASS	TX-01-0646-0001	Variable	N/A	<u>4,749,635</u>
				<u>4,750,571</u>
Debt Service				
TexPool	2573000001	Variable	N/A	1,862,778
Texas CLASS	TX-01-0646-0003	Variable	N/A	<u>1,386,271</u>
				<u>3,249,049</u>
Total - All Funds				<u><u>\$ 7,999,620</u></u>

See accompanying auditors' report.

**Sienna Plantation Municipal Utility District No. 2**  
**TSI-4. Taxes Levied and Receivable**  
**February 28, 2018**

	Maintenance Taxes	Contract Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 64,606	\$ 10,494	\$ 188,156	\$ 263,256
Adjustments to prior year tax levy	(1,621)	(494)	(5,413)	(7,528)
Adjusted Receivable	62,985	10,000	182,743	255,728
2017 Original Tax Levy	566,653		2,185,662	2,752,315
Adjustments	39,706		153,152	192,858
Adjusted Tax Levy	606,359		2,338,814	2,945,173
Total to be accounted for	669,344	10,000	2,521,557	3,200,901
Tax collections				
Current year	572,210		2,207,094	2,779,304
Prior years	45,792	1,770	120,180	167,742
Total Collections	618,002	1,770	2,327,274	2,947,046
Taxes Receivable, End of Year	\$ 51,342	\$ 8,230	\$ 194,283	\$ 253,855
Taxes Receivable, By Years				
2017	\$ 34,149	\$ -	\$ 131,720	\$ 165,869
2016	6,943		17,882	24,825
2015	3,529	2,646	12,938	19,113
2014 and prior	6,721	5,584	31,743	44,048
Taxes Receivable, End of Year	\$ 51,342	\$ 8,230	\$ 194,283	\$ 253,855
	2017	2016	2015	2014
Property Valuations				
Land	\$ 131,212,180	\$ 115,899,830	\$ 115,850,460	\$ 115,850,370
Improvements	455,117,011	451,329,001	435,450,640	391,649,505
Personal Property	6,564,760	6,136,140	5,155,734	8,474,011
Exemptions	(15,409,027)	(15,901,866)	(19,459,708)	(21,043,021)
Total Property Valuations	\$ 577,484,924	\$ 557,463,105	\$ 536,997,126	\$ 494,930,865
Tax Rates per \$100 Valuation:				
Maintenance*	\$ 0.105	\$ 0.165	\$ 0.120	\$ 0.135
Contract			0.090	0.090
Debt service	0.405	0.425	0.440	0.485
Total Tax Rates per \$100 Valuation	\$ 0.510	\$ 0.590	\$ 0.650	\$ 0.710
Adjusted Tax Levy	\$ 2,945,173	\$ 3,289,032	\$ 3,490,481	\$ 3,514,009
Percentage of Taxes Collected to Taxes Levied **	94.37%	99.25%	99.45%	99.72%

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.10 on August 9, 1997

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

See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 2  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2009 Refunding--by Years  
 February 28, 2018*

Due During Fiscal Years Ending	Principal Due October 1	Interest Due April 1, October 1	Total
2019	\$ 740,000	\$ 112,800	\$ 852,800
2020	775,000	83,200	858,200
2021	305,000	52,200	357,200
2022		40,000	40,000
2023	290,000	40,000	330,000
2024	305,000	27,675	332,675
2025	310,000	13,950	323,950
	<u>\$ 2,725,000</u>	<u>\$ 369,825</u>	<u>\$ 3,094,825</u>

See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 2*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2010 Refunding--by Years*  
*February 28, 2018*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due October 1</u>	<u>Interest Due April 1, October 1</u>	<u>Total</u>
2019	\$ 320,000	\$ 194,800	\$ 514,800
2020	335,000	185,200	520,200
2021	350,000	171,800	521,800
2022	715,000	157,800	872,800
2023	745,000	129,200	874,200
2024	785,000	99,400	884,400
2025	830,000	68,000	898,000
2026	870,000	34,800	904,800
	<u>\$ 4,950,000</u>	<u>\$ 1,041,000</u>	<u>\$ 5,991,000</u>

See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 2*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2014 Refunding--by Years*  
*February 28, 2018*

Due During Fiscal Years Ending	Principal Due October 1	Interest Due April 1, October 1	Total
2019	\$ 755,000	\$ 231,725	\$ 986,725
2020	775,000	216,625	991,625
2021	1,310,000	201,125	1,511,125
2022	1,350,000	174,925	1,524,925
2023	1,085,000	144,550	1,229,550
2024	1,125,000	112,000	1,237,000
2025	840,000	72,625	912,625
2026	1,235,000	43,225	1,278,225
	<u>\$ 8,475,000</u>	<u>\$ 1,196,800</u>	<u>\$ 9,671,800</u>

See accompanying auditors' report.



*Sienna Plantation Municipal Utility District No. 2*  
*TSI-5. Long-Term Debt Service Requirements*  
*All Bonded Debt Series--by Years*  
*February 28, 2018*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due October 1</u>	<u>Interest Due April 1, October 1</u>	<u>Total</u>
2019	\$ 1,815,000	\$ 539,325	\$ 2,354,325
2020	1,885,000	485,025	2,370,025
2021	1,965,000	425,125	2,390,125
2022	2,065,000	372,725	2,437,725
2023	2,120,000	313,750	2,433,750
2024	2,215,000	239,075	2,454,075
2025	1,980,000	154,575	2,134,575
2026	2,105,000	78,025	2,183,025
	<u>\$ 16,150,000</u>	<u>\$ 2,607,625</u>	<u>\$ 18,757,625</u>

See accompanying auditors' report.

**Sienna Plantation Municipal Utility District No. 2**  
**TSI-6. Change in Long-Term Bonded Debt**  
**February 28, 2018**

	Bond Issue			Totals
	Series 2009 Refunding	Series 2010 Refunding	Series 2014 Refunding	
Interest rate	3.00 - 4.50%	2.00 - 4.00%	2.00 - 3.50%	
Dates interest payable	4/1; 10/1	4/1; 10/1	4/1; 10/1	
Maturity dates	10/1/2010 to 10/1/2024	10/1/2011 to 10/1/2025	10/1/2015 to 10/1/2025	
Beginning bonds outstanding	\$ 3,430,000	\$ 5,260,000	\$ 9,210,000	\$ 17,900,000
Bonds retired	(705,000)	(310,000)	(735,000)	(1,750,000)
Ending bonds outstanding	\$ 2,725,000	\$ 4,950,000	\$ 8,475,000	\$ 16,150,000
Interest paid during fiscal year	\$ 141,000	\$ 204,100	\$ 246,425	\$ 591,525
Paying agent's name and city	Regions Bank, Houston			
Series 2014 Refunding	Regions Bank, Houston			
Series 2009 Refunding and 2010 Refunding	Wells Fargo Bank, N.A., Houston, Dallas and Austin			
Bond Authority:	Water, Sewer and Drainage Bonds	Fire Protection	Refunding Bonds	
Amount Authorized by Voters	\$ 30,500,000	\$ 245,000	\$ 18,300,000	
Amount Issued	(30,500,000)	(245,000)	(1,550,000)	
Remaining To Be Issued	\$ -	\$ -	\$ 16,750,000	

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

Debt Service Fund cash and investments balances as of February 28, 2018: \$ 3,749,149

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 2,344,703

See accompanying auditors' report.

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

	Amounts				
	2018	2017	2016	2015	2014**
<b>Revenues</b>					
Water service	\$ 663,491	\$ 701,878	\$ 696,405	\$ 697,925	\$ 978,463
Sewer service	573,267	609,884	673,981	850,378	1,199,954
Fire service	406,682	432,069	344,667	188,866	259,622
Property taxes	596,433	918,845	1,152,577	1,103,053	1,697,679
Penalties and interest	30,165	32,500	36,372	45,504	77,408
Tap connection and inspection	8,816	11,958	8,859	11,769	6,943
Surface water (Note 8)	578,396	645,831	602,339	629,919	804,068
Miscellaneous	4,178	3,626	2,347	4,815	4,554
Investment earnings	51,306	15,598	5,171	3,494	5,764
<b>Total Revenues</b>	<b>2,912,734</b>	<b>3,372,189</b>	<b>3,522,718</b>	<b>3,535,723</b>	<b>5,034,455</b>
<b>Expenditures</b>					
<b>Current service operations</b>					
Professional fees	116,219	110,417	116,230	99,712	159,499
Contracted services	350,540	347,415	335,744	542,608	728,627
Repairs and maintenance	276,560	307,996	221,681	260,047	254,983
Utilities	4,762	6,367	5,818	5,815	8,152
Administrative	51,336	50,649	56,104	65,095	65,533
Other	10,156	11,770	13,285	13,688	21,575
Surface water (Note 8)	604,440	645,831	602,339	629,919	877,504
Capital outlay	156,020				174,222
Interest and fees					19,500
<b>Intergovernmental</b>					
Monthly connection charges	582,255	559,536	563,646	630,280	974,400
Contractual obligations	16,000	87,577	477,771	442,339	760,916
Master District replacement fund	68,123	67,636	63,971	68,587	104,086
Fire protection services	428,366	429,312	346,737	551,598	
Fire station capital costs			48,825		
Capital contribution	100,000				
<b>Total Expenditures</b>	<b>2,764,777</b>	<b>2,624,506</b>	<b>2,852,151</b>	<b>3,309,688</b>	<b>4,148,997</b>
<b>Revenues Over Expenditures</b>	<b>\$ 147,957</b>	<b>\$ 747,683</b>	<b>\$ 670,567</b>	<b>\$ 226,035</b>	<b>\$ 885,458</b>

\*Percentage is negligible

\*\*Seventeen month period

See accompanying auditors' report.

Percent of Fund Total Revenues

2018	2017	2016	1905	2014**
23%	22%	20%	20%	19%
20%	19%	19%	25%	24%
14%	13%	10%	5%	5%
20%	26%	33%	31%	34%
1%	1%	1%	1%	2%
*	*	*	*	*
20%	19%	17%	18%	16%
*	*	*	*	*
2%	*	*	*	*
100%	100%	100%	100%	100%
4%	3%	3%	3%	3%
12%	10%	10%	15%	14%
9%	9%	6%	7%	5%
*	*	*	*	*
2%	2%	2%	2%	1%
*	*	*	*	*
21%	19%	16%	18%	17%
5%				3%
				*
20%	17%	16%	18%	19%
1%	3%	14%	13%	15%
2%	2%	2%	2%	2%
15%	13%	10%	16%	
		1%		
3%				
94%	78%	80%	94%	79%
6%	22%	20%	6%	21%

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

	Amounts				
	2018	2017	2016	2015	2014**
Revenues:					
Property taxes	\$ 2,267,178	\$ 2,355,587	\$ 2,422,793	\$ 2,403,949	\$ 4,817,702
Penalties and interest	33,909	31,158	23,189	34,904	32,734
Accrued interest on bonds sold				6,271	
Miscellaneous	646		25		75
Investment earnings	28,821	10,393	3,442	2,695	5,546
Total Revenues	<u>2,330,554</u>	<u>2,397,138</u>	<u>2,449,449</u>	<u>2,447,819</u>	<u>4,856,057</u>
Expenditures:					
Tax collection services	68,637	63,887	62,524	59,632	71,878
Debt service					
Principal	1,750,000	1,685,000	1,605,000	1,480,000	1,420,000
Interest and fees	592,331	655,281	713,989	969,725	964,225
Early extinguishment of debt				150,000	
Debt issuance costs				234,779	
Total Expenditures	<u>2,410,968</u>	<u>2,404,168</u>	<u>2,381,513</u>	<u>2,894,136</u>	<u>2,456,103</u>
Revenues Over (Under) Expenditures	<u>\$ (80,414)</u>	<u>\$ (7,030)</u>	<u>\$ 67,936</u>	<u>\$ (446,317)</u>	<u>\$ 2,399,954</u>
Total Active Retail Water Connections	<u>1,764</u>	<u>1,769</u>	<u>1,771</u>	<u>1,767</u>	<u>1,770</u>
Total Active Retail Wastewater Connections	<u>1,590</u>	<u>1,593</u>	<u>1,597</u>	<u>1,593</u>	<u>1,594</u>

\*Amounts negligible

\*\*Seventeen month period

See accompanying auditors' report.

Percent of Fund Total Revenues

2018	2017	2016	2015	2014**
98%	99%	99%	99%	99%
1%	1%	1%	1%	1%
			*	
*		*		*
1%	*	*	*	*
100%	100%	100%	100%	100%
3%	3%	3%	2%	1%
75%	70%	66%	60%	29%
25%	27%	29%	40%	20%
			6%	
			10%	
103%	100%	98%	118%	50%
(3%)		2%	(18%)	50%

**Sienna Plantation Municipal Utility District No. 2**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**February 28, 2018**

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027

District Business Telephone Number: (713) 860-6400

Submission Date of the most recent District Registration Form

(TWC Sections 36.054 and 49.054): May 29, 2018

Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
 (Set by Board Resolution -- TWC Section 49.0600)

Names:	Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members:</b>				
Michael Kroboth	5/16 to 5/20	\$ 1,500	\$ 216	President
Mark Rubal	5/14 to 5/18	1,800	155	Vice President
Jeff Farrar	5/14 to 5/18	1,950	153	Secretary
Rick Duran	5/16 to 5/20	1,200	182	Assistant Vice President
Jeffrey C. Carroll	5/16 to 5/20	1,050	151	Assistant Secretary
<b>Consultants:</b>				
		<u>Paid</u>		
Allen Boone Humphries Robinson LLP <i>General legal fees</i>	2003	\$ 97,963		Attorney
SI Environmental, LLC	2012	250,131		Operator
McLennan & Associates, LP	1997	21,615		Bookkeeper
Tax Tech, Inc.	1997	29,583		Tax Collector
Fort Bend Central Appraisal District	Legislation	21,232		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	1997	13,452		Delinquent Tax Attorney
LJA Engineering, Inc.	1997	6,219		Engineer
Yellowstone Landscape, Inc.	2007	4,480		Ditch maintenance
McGrath & Co., PLLC	Annual	12,100		Auditor
Robert W. Baird & Co., Inc.	2015			Financial Advisor

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

See accompanying auditors' report.

# McGrath & Co., PLLC

Certified Public Accountants  
P.O. Box 270148  
Houston, Texas 77277

Mark W. McGrath CPA  
mark@mcgrath-co.com

Colette M. Garcia CPA  
colette@mcgrath-co.com

June 18, 2018

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

In planning and performing our audit of the financial statements of governmental activities and each major fund of Sienna Plantation Municipal Utility District No. 2 (the "District"), as of and for the year ended February 28, 2018, 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal controls exists when the design or operation of a control does not allow management, in the normal course of performing their assigned functions, to prevent, detect or correct misstatements on a timely basis. 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.

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

## **Material Weaknesses**

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

- As is common within the system of internal control of most small organizations, the accounting function of the District does not prepare the financial statements complete with footnotes in accordance with accounting principles generally accepted in the United States of America. This could result in the District's financial statements and related note



disclosures not fully or accurately presenting the District's financial position and changes in financial position during the fiscal year in conformity with accounting principles generally accepted in the United States of America.

- During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to present the financial statements on both the fund basis and the government-wide basis of accounting. Management's reliance upon the auditor to detect and make these necessary adjustments could result in misstatements in the District's financial statements.
- The District's Management relies on the District's auditor to prepare the capital asset schedules and post adjustments related to the presentation of the capital assets in the government-wide financial statements. This reliance on the auditor to perform this function could result in the understatement or overstatement of capital assets and due to developer on the District's *Statement of Net Position* or an error in the amount reported as depreciation/amortization expense in the *Statement of Activities*.

### **Management's Response**

The District's financial statements have been prepared in a manner that is consistent with prior years. The Board engages a bonded bookkeeper who possesses industry knowledge and expertise, including a concentration in special districts accounting. The Board also engages a financial advisor and tax assessor/collector who possess industry knowledge and expertise, as well as legal and professional engineering services. The Board has consulted with its independent auditor concerning this "management letter" and the auditor does not recommend any change in the Board's bookkeeping or audit procedures at this time. To the best of its knowledge, the Board conducts the District's business affairs in the same manner as other similarly situated special districts, and, based on the recommendations of its auditor, does not believe that the addition of an employee to oversee the monthly and annual financial reporting process or to prepare financial statements or that undertaking an additional annual audit is necessary or cost effective.

### **Conclusion**

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, 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.

Sincerely,



McGrath & Co., PLLC-CPAs  
Houston, Texas

## EXHIBIT C

### Sienna Plantation Municipal Utility District No. 2

#### Hurricane Harvey

The Houston area, including Fort Bend County, sustained widespread flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District is located approximately 40 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain, and flooding caused by hurricanes, tropical storms, high river events, and other tropical disturbances. The Fort Bend County Judge called for a mandatory evacuation of Sienna Plantation Levee Improvement District ("SPLID"), including the District, due to the rise of the Brazos River and the risk of a breach or overtopping of SPLID's levee system. According to SPLID's engineer and the District's engineer, SPLID experienced significant street flooding and some homes were damaged as a result of tornadic activity associated with the hurricane. All water damage was due to the rainfall amounts exceeding the design capacity of the internal drainage facilities as set forth by the Fort Bend County Drainage District; no water damage occurred due to a breach or overtopping of SPLID's levee system.

According to the District's engineer, the District's system did not sustain any material damage from Hurricane Harvey and there was no interruption of water and sewer service during or after the storm. Taxable improvements in the District experienced tornado and flooding impacts.

Hurricane Harvey could have an adverse impact on the Houston region's economy, including business activity and development in the region. The District cannot predict what impact, if any, Hurricane Harvey will have on the assessed value of taxable improvements within the District.

**APPENDIX B**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_  
Member Surplus Contribution: \$ \_\_\_\_\_  
Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIAL MEMBER

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN