

**ADDENDUM  
TO  
OFFICIAL STATEMENT DATED JUNE 18, 2020  
\$4,375,000  
SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 12  
UNLIMITED TAX REFUNDING BONDS, SERIES 2020**

This Addendum serves to correct the cover page of the Official Statement. The cover page inadvertently left off Assured Guaranty Municipal Corp.'s logo. The logo has been added to the information on the cover page below:

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**



IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

*The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions.*

**NEW ISSUE – Book Entry Only**

**RATINGS: S&P Global Ratings (AGM insured) ..... "AA"**  
**Moody's Investors Service (AGM insured) "A2"**  
**Moody's Investors Service (underlying) ... "A3"**

**\$4,375,000**

**SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 12**

(A Political Subdivision of the State of Texas, located within Fort Bend County)

**UNLIMITED TAX REFUNDING BONDS, SERIES 2020**

**Dated: July 1, 2020**

**Due: September 1, as shown below**

The Sienna Plantation Municipal Utility District No. 12 \$4,375,000 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds") are obligations of Sienna Plantation Municipal Utility District No. 12 (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. The System Bonds and the Parks Bonds are referred to herein as 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.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent, initially, Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent" or "Registrar"). Interest accrues from July 1, 2020, and is payable March 1, 2021, and each September 1 and March 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date, and mailed by the Paying Agent to registered owners ("Registered Owners") as shown on the records of the Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date (the "Record Date"). The Bonds are issued as fully registered bonds in the denomination of \$5,000 of principal amount or any integral multiple thereof.

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."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**



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See "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" on the inside cover.

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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 of Missouri City, Texas; 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 of Missouri City, Texas; 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 CERTAIN INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS" herein.

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by 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 Coats Rose, P.C., Underwriter's Counsel. Delivery of the Bonds is expected on or about July 16, 2020.

**SAMCO Capital Markets, Inc.**

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

**\$4,375,000 Unlimited Tax Refunding Bonds, Series 2020**

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 82620Y (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 82620Y (b)
2021	\$105,000	4.000%	0.930%	MU4	2030(c)	\$290,000	2.000%	1.770%	ND1
2022	135,000	4.000%	1.000%	MV2	2031(c)	295,000	2.000%	1.860%	NE9
2023	140,000	4.000%	1.030%	MW0	2032(c)	300,000	2.000%	1.950%	NF6
2024	230,000	4.000%	1.100%	MX8	2033(c)	305,000	2.000%	2.040%	NG4
2025	235,000	4.000%	1.190%	MY6	2034(c)	315,000	2.000%	2.080%	NH2
2026	245,000	4.000%	1.330%	MZ3	2035(c)	320,000	2.000%	2.130%	NJ8
2027	255,000	4.000%	1.440%	NA7	2036(c)	325,000	2.000%	2.170%	NK5
2028	270,000	4.000%	1.520%	NB5	2037(c)	335,000	2.000%	2.210%	NL3
2029	275,000	4.000%	1.590%	NC3					

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriters (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yields indicated above represents the lower of the yields resulting when priced to maturity or to the first call 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.
- (c) Bonds maturing on September 1, 2030, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. In addition, the Underwriters may designate one or more maturities as term bonds.

## **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.

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."

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX C - 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 final official statement for purposes of, and as that term is defined in, Rule 15c2-12 of the United States Securities and Exchange Commission ("SEC").

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## **INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Sienna Plantation Municipal Utility District No. 10 (the "District") of its \$4,375,000 Unlimited Tax Refunding Bonds, Series 2020 (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 Constitution and general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and 1207 Texas Government Code, and an election held on May 15, 2004, 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 \$4,591,939.42 (being the par amount of the Bonds, plus an original issue premium on the Bonds of \$256,847.55, and less an underwriter's discount of \$39,908.13), 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.

The following statement is provided by the Underwriter. In accordance with its responsibilities under federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness.

### **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 UNDERWRITERS 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 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.

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Insurance Policy"). The Insurance Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Insurance Policy included as APPENDIX C to this Official Statement.

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

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### *Current Financial Strength Ratings*

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On November 7, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.



### *Capitalization of AGM*

At March 31, 2020:

- The policyholders' surplus of AGM was approximately \$2,573 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$997 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,997 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020); and

the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "MUNICIPAL BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

### *Miscellaneous Matters*

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE."

## **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" on the Bonds from S&P solely in reliance upon the issuance of the Insurance Policy issued by AGM at the time of delivery of the Bonds.

The Bonds are expected to receive an insured rating of "A2" (stable outlook) from Moody's solely in reliance upon the issuance of the Insurance Policy issued by AGM at the time of delivery of the Bonds. Moody's has assigned an underlying credit rating of "A3" 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 ratings 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 ratings 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. 12 (the "District"), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See "THE DISTRICT."
The Bonds.....	The \$4,375,000 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds") are dated July 1, 2020 and bear interest at the rates set forth on the inside cover page thereof. The Bonds are scheduled to mature on September 1, 2021 through September 1, 2037, inclusive. Interest accrues from July 1, 2020 and is payable March 1, 2021 and each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. See "THE BONDS."
Redemption of the Bonds .....	The Bonds maturing on or after September 1, 2030, are subject to redemption, in whole or from time to time in part, on September 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds."
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 System Bonds constitute the second series of bonds issued out of an aggregate of \$20,000,000 principal amount of unlimited tax refunding bonds authorized by the District's voters for purposes of refunding outstanding bonds. In addition, the District has previously issued nine (9) series of bonds out of an aggregate \$88,000,000 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 two (2) series of bonds out of an aggregate \$7,500,000 principal amount of unlimited tax bonds for the purpose of constructing and maintaining parks and recreational facilities within the District (the "Park Facilities"). Following the issuance of the Bonds, \$19,085,000 principal amount of unlimited tax refunding bonds, \$62,600,000 principal amount of unlimited tax bonds for System purposes, and \$1,100,000 principal amount of unlimited tax bonds for Park Facilities will remain authorized and unissued. The Bonds are issued pursuant to a resolution approving the sale of the Bonds (the "Bond Resolution"), Article XVI, Section 59 of the Texas Constitution, an election held within the District on May 15, 2004, and the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended. See "THE

BONDS - Authority for Issuance" and "- Issuance of Additional Debt."

Use of Proceeds .....	Proceeds of the Bonds will be applied to currently refund \$1,470,000 (the "Series 2013 Refunded Bonds") of the Districts \$2,160,000 Unlimited Tax Bonds, Series 2013 (the "Series 2013 Bonds") and \$2,990,000 (the "Series 2013A Refunded Bonds") of the District's \$3,685,000 Unlimited Tax Bonds, Series 2013A (the "Series 2013A Bonds") and to pay administrative and issuance costs related to the issuance of the Bonds. The Series 2013 Refunded Bonds and the Series 2013A Refunding Bonds are referred to herein as the "Refunded Bonds." See "PLAN OF FINANCING."
Remaining Outstanding Bonds.....	In addition to the Series 2013 Bonds and the Series 2013A Bonds, the District has previously issued \$3,000,000 Unlimited Tax Bonds, Series 2007 (the "Series 2007 Bonds"); \$4,000,000 Unlimited Tax Bonds, Series 2008 (the "Series 2008 Bonds"); \$3,150,000 Unlimited Tax Bonds, Series 2009 (the "Series 2009 Bonds"); \$10,850,000 Unlimited Tax Bonds, Series 2014 (the "Series 2014 Bonds"); \$8,675,000 Unlimited Tax Refunding Bonds, Series 2015 (the "Series 2015 Refunding Bonds"); \$25,055,000 Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds"); \$4,010,000 Unlimited Tax Bonds, Series 2016 (the "Series 2016 Bonds"); \$5,000,000 Unlimited Tax Park Bonds, Series 2016A (the "Series 2016A Park Bonds"); \$1,400,000 Unlimited Tax Park Bonds, Series 2019 (the "Series 2019 Park Bonds"); and \$6,690,000 Unlimited Tax Bonds, Series 2019 (the "Series 2019 Bonds"). As of May 1, 2020, \$56,925,000 principal amount of the above-referenced series of bonds issued by the District remains outstanding (the "Remaining Outstanding Bonds"). See "PLAN OF FINANCING – Remaining Outstanding Bonds."
Municipal Bond Insurance .....	Assured Guaranty Municipal Corp. ("AGM"). See "MUNICIPAL BOND INSURANCE".
Ratings .....	S&P Global Ratings (AGM insured) – "AA". Moody's Investors Service (AGM insured) – "A2". Moody's Investors Service (underlying) – "A3". See "MUNICIPAL BOND INSURANCE" and "RATINGS."
Qualified Tax-Exempt Obligations .....	The District will designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations".
Bond Counsel .....	Allen Boone Humphries Robinson LLP, Houston, Texas. See "LEGAL MATTERS."
Underwriter's Counsel .....	Coats Rose, P.C., Houston, Texas.
Financial Advisor .....	Robert W. Baird & Co. Incorporated, Houston, Texas.
Verification Agent .....	Robert Thomas CPA, LLC, Minneapolis, MN. See "THE DISTRICT – Consultants – <i>Special Consultants Related to Issuance of the Bonds</i> " and "VERIFICATION OF MATHEMATICAL CALCULATIONS."

### **Infectious Disease Outlook (COVID-19)**

Infectious Disease Outlook (COVID-19).....	The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting
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many parts of the world, including the United States and Texas. As described herein under “INVESTMENT CONSIDERATIONS-Infectious Disease Outlook (COVID-19)”, federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District’s financial condition.

## **THE DISTRICT**

Description.....	The District was created by the TCEQ on September 26, 2002, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended and Article XVI, Section 59 of the Texas Constitution. The District contains approximately 1,096.43 acres of land. The District is part of the development known as “Sienna Plantation,” which contains approximately 10,230 acres. The District is located in northwest Fort Bend County, approximately 19 miles southwest of downtown, Houston. The District is approximately 2 miles southwest of the intersection of the Fort Bend Parkway Toll Road and State Highway 6; 11 miles west of the intersection of Texas State Highway 6 and Texas State Highway 288; approximately 8 miles east of the Intersection of Texas State Highway 6 and U.S. Highway 59; and approximately 2 miles south of the intersection of Texas State Highway 6 and Sienna Parkway. The Brazos River and Flat Bank Creek diversion channel border the District on the west. The District is north of Sienna Plantation Municipal Utility District No. 10 and the Sienna Plantation Management District. The District is located entirely within the boundaries of the Fort Bend Independent School District and the Sienna Plantation Levee Improvement District of Fort Bend County, Texas (“SPLID”). Most of the District lies within the extraterritorial jurisdiction of the City
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and approximately 115.5 acres lie within the corporate limits of the City. See "THE DISTRICT - Description."

Sienna Plantation ..... The District is part of a 10,230-acre community known as "Sienna Plantation." Beginning in 1997, several partnerships controlled by the Johnson Development Company ("JDC") have developed over 4,500 acres in Sienna Plantation.

Since 1997, JDC, through several partnerships, has acquired and developed approximately 4,500 acres in Sienna Plantation. This area includes four internal municipal utility districts, one of which being the District, and a management district.

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.

Affiliates of JDC sold approximately 187 acres to Taylor Morrison of Texas, Inc. ("Taylor Morrison"), which has been developed as the single family residential development known as Avalon at Sienna Plantation within the District. 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. See "SIENNA PLANTATION."

Development Agreement..... The development of Sienna Plantation is governed by the Sienna Plantation Joint Development Agreement, dated February 19, 1996, as amended by nine amendments (collectively, the "Development Agreement") pursuant to which the City, developers and major landowners stipulated to the City's regulatory authority over the development of Sienna Plantation, established 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 identified and established 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."

Development within the District..... Approximately 844.04 acres (1,356 lots) within the District have been developed as the single-family residential subdivisions of Village of Bees Creek, Sections 1, 1A 2, 3, 4A, 4B, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 18, 19, 20, 21, 22, 23A, 23B, 24, 25, 26, 27, 28, 29 and Avalon at Sienna Plantation Sections 1, 2, 3, 4, 5, 6 and 7. As of May 1, 2020, 1,264 homes were complete; 76 homes were under construction; and 16 lots were developed and vacant. No lots are currently under development. The District includes approximately 40.31 acres of commercial development consisting of the Market at Bees Creek and the Crossing at Sienna Ranch Road. Retailers in the

Market at Bees Creek (approximately 71,000 square feet), include Sienna Market & Deli, Exxon, Sienna Cleaners, Pepperoni's, Sweet Tan, Gordon Insurance, Eden Nail Salon & Spa, Snowflake Donuts, Sienna Salon & Spa, Sienna Floors Expo, and Sienna Plantation Animal Clinic. Additionally the District contains Billy Baines Middle School (approximately 31 acres), a Primrose School (3.91 acres), St. Angela Catholic Church (25.0 acres), a Methodist Church (7.0 acres) and Trinity Baptist Church (13.6 acres). The remaining land within the District is comprised of approximately 52.6 undeveloped but developable acres, and approximately 79 acres that are undevelopable.

- The Developers ..... The principal developer of land in the District is Sienna/Johnson North, L.P. ("SJ North"), a Texas limited partnership, whose general partner is Sienna/Johnson North GP, L.L.C., a limited liability company, having Mr. Larry Johnson and Mr. Lawrence Wong as its managers. Taylor Morrison purchased approximately 187 acres within the District on which is developed Avalon at Sienna Plantation, Sections 1 - 7. An affiliate of JDC has been hired as fee developer for Taylor Morrison. SJ North and Taylor Morrison are collectively referred to herein as the "Developers." See "THE DEVELOPERS – Description of the Developers."
- Homebuilders within the District ..... Homebuilding began in the District in late 2005. Homebuilders currently active within the District include Taylor Morrison and Darling Homes. Prices of new homes being constructed within the District range from \$300,000 to in excess of \$1,000,000. Homes range in square footage from 1,400 to more than 6,000 square feet. See "DEVLEPMENT WITHIN THE DISTRICT - Homebuilders 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. SPLID comprises approximately 9,832 total acres, which includes the entire District and approximately 9,555 acres of Sienna Plantation. SPLID intends to finance facilities to accomplish flood protection and accommodate storm water drainage within the 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 \$0.450 per \$100 of assessed valuation for the 2019 tax year. SPLID has \$127,445,000 principal amount of bonds outstanding as of May 1, 2020. SPLID participates in the TIRZ (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 SPLID and the TIRZ. See "TAX DATA – Estimated Overlapping Taxes," "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable

Values and Tax Payments," and "- Overlapping District Taxes and Functions."

#### **INVESTMENT CONSIDERATIONS**

INVESTMENT IN THE BONDS IS SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

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**SELECTED FINANCIAL INFORMATION**  
**(UNAUDITED)**

2019 Assessed Valuation .....	\$668,981,761 (a)
See "TAX DATA" and "TAXING PROCEDURES."	
2020 Preliminary Assessed Valuation .....	\$744,890,441 (b)
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt:	
The Remaining Outstanding Bonds .....	\$ 56,925,000
The Bonds .....	<u>4,375,000</u>
Total .....	\$ 61,300,000
Estimated Overlapping Debt .....	<u>\$ 47,680,624 (c)</u>
Total Direct and Estimated Overlapping Debt .....	<u>\$108,980,624</u>
Direct Debt Ratios:	
As a percentage of 2019 Assessed Valuation .....	9.16 %
As a percentage of 2020 Preliminary Assessed Valuation .....	8.23 %
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of 2019 Assessed Valuation .....	16.29 %
As a percentage of 2020 Preliminary Assessed Valuation .....	14.63 %
Debt Service Fund (as of May 7, 2020) .....	\$ 5,737,947
System Capital Projects Fund (as of May 7, 2020) .....	\$ 277,233
General Fund (as of May 7, 2020) .....	\$ 6,049,760
2019 Tax Rate per \$100 of Assessed Valuation	
Debt Service .....	\$0.605
Maintenance .....	0.105
Contract .....	<u>0.030</u>
Total .....	\$0.740
Average Annual Debt Service Requirements	
on the Remaining Outstanding Bonds and the Bonds (2020-2044) .....	\$ 3,387,313
Maximum Annual Debt Service Requirement	
on the Remaining Outstanding Bonds and the Bonds (2039) .....	\$ 4,444,338
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual	
Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds	
(2020-2044) at 95% Tax Collections	
Based on 2019 Assessed Valuation (\$668,981,761) .....	\$0.54
Based on the 2020 Preliminary Assessed Valuation (\$744,890,441) .....	\$0.48
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual	
Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds	
(2039) at 95% Tax Collections	
Based on 2019 Assessed Valuation (\$668,981,761) .....	\$0.70
Based on the 2020 Preliminary Assessed Valuation (\$744,890,441) .....	\$0.63
Number of Single-Family Homes (including 76 homes in various	
stages of construction) as of May 1, 2020 .....	1,340

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

(b) Provided by the Appraisal District as the preliminary value as of January 1, 2020. This value represents the preliminary determination of the taxable value in the District as of January 1, 2020. No taxes will be levied on this preliminary value, which is subject to protest by the landowners. The value will be certified by the Appraisal Review Board and taxes will be levied on the certified value. See "TAXING PROCEDURES."

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

**\$4,375,000**  
**SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 12**  
**UNLIMITED TAX REFUNDING BONDS, SERIES 2020**

**INTRODUCTION**

This Official Statement of Sienna Plantation Municipal Utility District No. 12 (the "District") is provided to furnish information with respect to the issuance by the District of its \$4,375,000 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds"). The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) an election held within the District on May 15, 2004; and (iii) a resolution adopted by the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds (the "Bond Resolution).

There follows in this Official Statement descriptions of the Bonds, the Developers (hereinafter defined), the Bond Resolutions 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 Resolutions, except as otherwise indicated herein.

**Paying Agent/Registrar**

The initial paying agent is Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar" and/or the "Escrow Agent"). 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 (hereinafter defined) by the Paying Agent/Registrar to the Registered Owners (hereinafter defined) at the last known address as it appears on the Paying Agent/Registrar's books on the Record Date (hereinafter defined).

**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 Resolutions authorizing the issuance of the Bonds. Copies of the Bond Resolutions may be obtained from the District upon written request made to Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

The Bonds are dated July 1, and bear interest at the rates set forth on the inside cover page thereof. The Bonds are scheduled to mature on September 1, 2021 through September 1, 2037, inclusive. Interest accrues from July 1, 2020 and is payable March 1, 2021 and each September 1 and March 1 thereafter until the earlier of stated maturity or redemption ("Interest Payment Date"). The Bonds are fully-registered bonds maturing on September 1 of the years shown under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners (the "Registered Owners") at maturity or redemption upon presentation at the principal payment office of the Paying Agent, initially Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent" or "Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Registrar to Registered Owners as shown on the records of the Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements may be agreed upon by the Registrar and a Registered Owner at the risk and expense of such Registered Owner.

**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 ("DTC"), New York, New York, 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 United States Securities and Exchange Commission (the "SEC"), 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 Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Security certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities 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 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 purchase of each Security ("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 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 an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

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

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

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

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

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, 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 system, and (ii) except as described above, notices that are to be given to registered owners under the Bond Resolutions will be given only to DTC.

#### **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 Bondholder. 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 Bondholder or assignee of the Bondholder 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.

### **Redemption of the Bonds**

Bonds maturing on September 1, 2030, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given by the Registrar at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of either the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds a certain maturity of either the Bonds are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Registrar prior to the redemption date by such random method as the Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

### **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.

### **Replacement of the Bonds**

In the event the Book-Entry-Only system is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity to hold them harmless. The District or the Paying Agent/Registrar may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

### **Authority for Issuance**

The System Bonds constitute the second series of bonds issued out of an aggregate of \$20,000,000 principal amount of unlimited tax refunding bonds authorized by the District's voters for purposes of refunding outstanding bonds. In addition, the District has previously issued nine (9) series of bonds out of an aggregate \$88,000,000 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 two (2) series of bonds out of an aggregate \$7,500,000 principal amount of unlimited tax bonds for the purpose of constructing and maintaining parks and recreational facilities within the District (the "Park Facilities"). Following the issuance of the Bonds, \$19,085,000 principal amount of unlimited tax refunding bonds, \$62,600,000 principal amount of unlimited tax bonds for System purposes, and \$1,100,000 principal amount of unlimited tax bonds for Park Facilities will remain authorized and unissued. The Bonds are issued pursuant to a resolution approving the sale of the Bonds (the "Bond Resolution"), Article XVI, Section 59 of the Texas Constitution, an election held within the District on May 15, 2004, and the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended.

## **Funds**

The Bond Resolutions confirm the District's debt service fund (the "Debt Service Fund"). Accrued interest on the Bonds will be deposited into the Debt Service Fund. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

## **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 each of the Bond Resolutions, 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, Registrar fees and fees of the Fort Bend Central 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, and additional bonds payable from taxes which may be issued, and 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**

The District's voters have authorized the issuance of \$20,000,000 principal amount of unlimited tax refunding bonds. Following the issuance of the Bonds, \$19,085,000 principal amount of unlimited tax refunding bonds, \$62,600,000 principal amount of unlimited tax bonds for System purposes, and \$1,100,000 principal amount of unlimited tax bonds for Park Facilities will remain authorized and unissued. The District may issue additional water, sewer and drainage bonds with the approval of the Commission and upon approval of such bonds by the voters in the District.

Following the issuance of the Bonds, the District will still owe the Developers approximately \$ 4,830,000 for the expenditures to construct water, sanitary sewer and drainage facilities to serve the developed land within the District. The Developers have been fully reimbursed for expenditures to construct park and recreational facilities.

Based on present engineering cost estimates and on development plans provided by the Developers, in the opinion of the District's consulting engineer, LJA Engineering, Inc. (the "Engineer"), following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developers the remaining amounts owed for the existing utility facilities, and to finance the extension of water, wastewater and storm drainage facilities and services to serve the remaining undeveloped land within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."

## **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 Developers have been reimbursed to the maximum extent permitted by the rules of the TCEQ 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 Developers have 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 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 Resolutions provide 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 noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the 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) noncallable 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 quoted 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 unmatured 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.

### **Registered Owners' Remedies**

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 for the Bonds and the Remaining Outstanding Bonds (hereinafter defined) (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 of Proceeds

Proceeds of the Bonds will be applied to currently refund \$1,470,000 (the "Series 2013 Refunded Bonds") of the District's \$2,160,000 Unlimited Tax Bonds, Series 2013 (the "Series 2013 Bonds") and \$2,990,000 (the "Series 2013A Refunded Bonds") of the District's \$3,685,000 Unlimited Tax Bonds, Series 2013A (the "Series 2013A Bonds") and to pay administrative and issuance costs related to the issuance of the Bonds. The Series 2013 Refunded Bonds and the Series 2013A Refunding 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 2013 Refunded Bonds		Series 2013A Refunded Bonds	
Principal Amount	Maturity Date	Principal Amount	Maturity Date
\$80,000	9/1/2024	\$120,000	9/1/2021
80,000 (a)	9/1/2025	125,000	9/1/2022
85,000 (a)	9/1/2026	130,000	9/1/2023
90,000 (a)	9/1/2027	140,000	9/1/2024
95,000 (a)	9/1/2028	145,000	9/1/2025
95,000 (b)	9/1/2029	150,000 (d)	9/1/2026
100,000 (b)	9/1/2030	155,000 (d)	9/1/2027
105,000 (b)	9/1/2031	165,000 (d)	9/1/2028
110,000 (c)	9/1/2032	170,000 (d)	9/1/2029
115,000 (c)	9/1/2033	180,000 (e)	9/1/2030
120,000 (c)	9/1/2034	190,000 (e)	9/1/2031
125,000 (c)	9/1/2035	195,000 (e)	9/1/2032
130,000 (c)	9/1/2036	205,000 (e)	9/1/2033
140,000 (c)	9/1/2037	215,000 (f)	9/1/2034
<u>\$1,470,000</u>		225,000 (f)	9/1/2035
		235,000 (f)	9/1/2036
		<u>245,000</u> (f)	9/1/2037
		<u>\$2,990,000</u>	

Redemption date: September 1, 2020

- 
- (a) Represents a partial maturity of a term bond with a final maturity in 2028.
  - (b) Represents a partial maturity of a term bond with a final maturity in 2031.
  - (c) Represents a partial maturity of a term bond with a final maturity in 2037.
  - (d) Represents a partial maturity of a term bond with a final maturity in 2029.
  - (e) Represents a partial maturity of a term bond with a final maturity in 2033.
  - (f) Represents a partial maturity of a term bond with a final maturity in 2037.

### Remaining Outstanding Bonds

In addition to the Series 2013 Bonds and the Series 2013A Bonds, the District has previously issued \$3,000,000 Unlimited Tax Bonds, Series 2007 (the "Series 2007 Bonds"); \$4,000,000 Unlimited Tax Bonds, Series 2008 (the "Series 2008 Bonds"); \$3,150,000 Unlimited Tax Bonds, Series 2009 (the "Series 2009 Bonds"); \$10,850,000 Unlimited Tax Bonds, Series 2014 (the "Series 2014 Bonds"); \$8,675,000 Unlimited Tax Refunding Bonds, Series 2015 (the "Series 2015 Refunding Bonds"); \$25,055,000 Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds"); \$4,010,000 Unlimited Tax Bonds, Series 2016 (the "Series 2016 Bonds"); \$5,000,000 Unlimited Tax Park Bonds, Series 2016A (the "Series 2016A Park Bonds"); \$1,400,000 Unlimited Tax Park Bonds, Series 2019 (the "Series 2019 Park Bonds"); and \$6,690,000 Unlimited Tax Bonds, Series 2019 (the "Series 2019 Bonds"). As of May 1, 2020, \$56,925,000 principal amount of the above-referenced series of bonds issued by the District remains outstanding (the "Remaining Outstanding Bonds").

### 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 .....	\$4,375,000.00
Net Original Issue Premium.....	256,847.55
Debt Service Fund Transfer .....	103,000.00
Accrued Interest on Bonds .....	<u>5,220.83</u>
Total Sources of Funds .....	\$4,740,068.38

#### USES OF FUNDS:

Deposit for Payment of Refunded Bonds.....	\$4,557,316.99
Deposit of Accrued Interest to Debt Service Fund .....	5,220.83
Issuance Expenses (including Bond Insurance Premium) .....	137,622.43
Underwriter's Discount.....	<u>39,908.13</u>
Total Uses of Funds .....	\$4,740,068.38

### Escrow Agreement

The District will enter into an escrow agreement (the "Escrow Agreement") with 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 Refunded 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.

## THE DISTRICT

### Authority

The District is a municipal utility district created by an order of the TCEQ dated September 26, 2002. The creation of the District was confirmed at an election held within the District on May 15, 2004. 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.

The District is also is authorized to construct, develop and maintain park and recreational facilities. In addition, the District, after complying with certain requirements set forth in the Texas Water Code, is authorized to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. The District presently receives fire protection services pursuant to a contract with the City, for which the District pays a fee per house. See "THE SYSTEM."

### Description

The District encompasses approximately 1,096.43 acres of land. The District is part of Sienna Plantation, which contains approximately 10,230 acres and is located entirely within Fort Bend County, Texas, approximately 19 miles southwest of the central business district of the City of Houston, Texas and approximately 2 miles west of the Fort Bend Parkway Toll Road, 8 miles east of the intersection of U.S. Highway 59 (the Southwest Freeway) and State Highway 6, and approximately 11 miles west of the intersection of Texas State Highway 288 and State Highway 6, and wholly within the boundaries of the Fort Bend Independent School District and SPLID. The District is located within Sienna Plantation approximately 2 miles south of the intersection of State Highway 6 and Sienna Parkway. The District is bordered by the external channel and Brazos River on the west; Sienna Parkway on the east; Sienna Plantation Municipal Utility District No. 2 on the south; and Sienna Plantation Municipal Utility District No. 10 and Sienna Plantation Management District on the north. SPLID provides major outfall drainage and flood protection for all of the land within the District.

The District is located partially (980.93 acres) within the extraterritorial jurisdiction of the City and partially (115.5 acres) within the corporate limits of the City. 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 of Directors (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 in 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 are listed below:

Name	Title	Term Expires May
Stephen E. Jackson	President	2022
J. Neal Vogan	Vice President	2024
Melissa Marroquin	Assistant Vice President	2024
Peter Slot	Secretary	2024
Larry Demerson	Assistant Secretary	2022

### 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, financial advisory 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.

**Utility System Operator:** The District's 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 July 31, 2019. A copy of the of the District's July 31, 2019 audited financial statements is included as "APPENDIX B".

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

**Financial Advisor:** Robert W. Baird & Co. Incorporated (the "Financial Advisor") is employed 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 issuance 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.

**Attorney:** The District has engaged Allen Boone Humphries Robinson LLP, 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 each of the Bonds. See "LEGAL MATTERS."

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

**Verification Agent:** At the time of delivery of the Bonds, Robert Thomas CPA, LLC 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 ("Verification Agent"). See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

## **DEVELOPMENT WITHIN THE DISTRICT**

### **General**

Approximately 844.04 acres (1,356 lots) within the District have been developed as the single-family residential subdivisions of Village of Bees Creek, Sections 1, 1A 2, 3, 4A, 4B, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 18, 19, 20, 21, 22, 23A, 23B, 24, 25, 26, 27, 28, 29 and Avalon at Sienna Plantation Sections 1, 2, 3, 4, 5, 6 and 7. As of May 1, 2020, 1,264 homes were complete; 76 homes were under construction; and 16 lots were developed and vacant. No lots are currently under development. The District includes approximately 40.31 acres of commercial development consisting of the Market at Bees Creek and the Crossing at Sienna Ranch Road. Retailers in the Market at Bees Creek (approximately 71,000 square feet), include Sienna Market & Deli, Exxon, Sienna Cleaners, Pepperoni's, Sweet Tan, Gordon Insurance, Eden Nail Salon & Spa, Snowflake Donuts, Sienna Salon & Spa, Sienna Floors Expo, and Sienna Plantation Animal Clinic. Additionally the District

contains Billy Baines Middle School (approximately 31 acres), a Primrose School (3.91 acres), St. Angela Catholic Church (25.0 acres), a Methodist Church (7.0 acres) and Trinity Baptist Church (13.6 acres). The remaining land within the District is comprised of approximately 52.6 undeveloped but developable acres, and approximately 79 acres that are undevelopable.

### **Homebuilders within the District**

Homebuilding began in the District in late 2005. Homebuilders currently active within the District include Taylor Morrison and Darling Homes. Prices of new homes being constructed within the District range from \$300,000 to in excess of \$1,000,000. Homes range in square footage from 1,400 to more than 6,000 square feet.

## **THE DEVELOPERS**

### **Role of a Developer**

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivisions, designing the utilities and streets to be constructed in the subdivisions, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service), parks and recreational facilities, and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage facilities in a utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by such district. A developer is generally under no obligation to a district to develop the property which it owns. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is usually the major taxpayer within a municipal utility district during the initial development phase of the property.

### **Description of the Developers**

Sienna/Johnson North, L.P.: The principal developer of land in the District is Sienna/Johnson North, L.P. ("SJ North"), a Texas limited partnership, whose general partner is Sienna/Johnson North GP, L.L.C., a limited liability company, having Mr. Larry Johnson and Mr. Lawrence Wong as its managers.

Taylor Morrison of Texas: In December 2013, Taylor Morrison of Texas, Inc. ("Taylor Morrison") purchased approximately 187 acres within the District on which it developed Avalon at Sienna Plantation, Sections 1 - 7. An affiliate of JDC (defined hereinafter) has been hired as fee developer for Taylor Morrison. Taylor Morrison is a publicly traded company on the New York Stock Exchange and a national homebuilder. For more information, visit [www.taylormorrison.com](http://www.taylormorrison.com).

SJ North and Taylor Morrison are collectively referred to herein as the "Developers."

## **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 JDC (as defined below), approximately 4,500 acres; Sienna Point, an approximately 1,035 acre rural estate subdivision; the Toll Brothers Development, approximately 3,800 acres; and 187 acres owned by Taylor Morrison of Texas, Inc.

The approximately 4,500 acres of Sienna Plantation that is being developed by the Johnson Development Company ("JDC") began in 1997. This area includes 4 internal municipal utility districts and a management district: the District, Sienna Plantation Municipal Utility District No. 2, Sienna Plantation Municipal Utility District No. 3, Sienna Plantation Municipal Utility District No. 10, 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 JDC.

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 Sienna Plantation Municipal Utility District No. 3. There are approximately 2,150 lots completed and approximately 290 lots 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 9,555 acres of the 10,230-acre community of Sienna Plantation, 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. 2, Sienna Plantation Municipal Utility District No. 3, Sienna Plantation Municipal Utility District No. 10, 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, 2020, development within Sienna Plantation includes (i) an aggregate of 8,950 completed homes, 120 homes under construction, 395 vacant and developed lots, and 290 lots under development; (ii) 273 completed rural estate lots (104 homes in The Woods at Sienna and 169 homes in Sienna Point); (iii) a 2,400 square foot information center; (iv) an 18-hole golf course; (v) two water theme parks and amphitheater; and (vi) four (4) elementary schools, two (two) middle schools 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 Developers and the other Sienna Plantation developers in Sienna Plantation have entered into the Development Agreement with the City dated February 19, 1996, 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.

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 Developers have 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."

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## 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	Outstanding Debt Service	Less: Refunded Bonds	The Bonds		Total Debt Service Requirements
			Principal	Interest	
2020	\$3,063,837	\$97,963	-	-	\$2,965,874
2021	4,006,126	315,925	\$105,000	\$146,183	3,941,385
2022	4,022,576	316,425	135,000	121,100	3,962,251
2023	4,046,044	316,738	140,000	115,700	3,985,006
2024	4,069,456	401,538	230,000	110,100	4,008,019
2025	4,086,131	398,138	235,000	100,900	4,023,894
2026	4,099,244	398,775	245,000	91,500	4,036,969
2027	4,122,619	398,625	255,000	81,700	4,060,694
2028	4,145,256	403,050	270,000	71,500	4,083,706
2029	4,152,531	396,825	275,000	60,700	4,091,406
2030	4,175,794	400,375	290,000	49,700	4,115,119
2031	4,189,844	402,825	295,000	43,900	4,125,919
2032	4,213,863	399,600	300,000	38,000	4,152,263
2033	4,291,894	400,938	305,000	32,000	4,227,956
2034	4,318,194	401,600	315,000	25,900	4,257,494
2035	4,351,738	401,050	320,000	19,600	4,290,288
2036	4,369,763	399,800	325,000	13,200	4,308,163
2037	4,392,875	402,850	335,000	6,700	4,331,725
2038	4,420,000	-	-	-	4,420,000
2039	4,444,338	-	-	-	4,444,338
2040	1,014,438	-	-	-	1,014,438
2041	457,475	-	-	-	457,475
2042	461,450	-	-	-	461,450
2043	459,575	-	-	-	459,575
2044	457,425	-	-	-	457,425
Total	\$85,832,483	\$6,653,038	\$4,375,000	\$1,128,383	\$84,682,829
Average Annual Requirements - (2020-2044).....					\$3,387,313
Maximum Annual Requirement - (2039) .....					\$4,444,338

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**SELECTED FINANCIAL INFORMATION  
(UNAUDITED)**

2019 Assessed Valuation .....	\$ 668,981,761 (a)
See "TAX DATA" and "TAXING PROCEDURES."	
2020 Preliminary Assessed Valuation .....	\$ 744,890,441 (b)
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt:	
The Remaining Outstanding Bonds .....	\$ 56,925,000
The Bonds .....	<u>4,375,000</u>
Total .....	\$ 61,300,000
Estimated Overlapping Debt .....	<u>\$ 47,680,624 (c)</u>
Total Direct and Estimated Overlapping Debt .....	<u>\$ 108,980,624</u>
Direct Debt Ratios:	
As a percentage of 2019 Assessed Valuation .....	9.16 %
As a percentage of 2020 Preliminary Assessed Valuation .....	8.23 %
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of 2019 Assessed Valuation .....	16.29 %
As a percentage of 2020 Preliminary Assessed Valuation .....	14.63 %
Debt Service Fund (as of May 7, 2020) .....	\$ 5,737,947
System Capital Projects Fund (as of May 7, 2020) .....	\$ 277,233
General Fund (as of May 7, 2020) .....	\$ 6,049,760
2019 Tax Rate per \$100 of Assessed Valuation	
Debt Service .....	\$0.605
Maintenance .....	0.105
Contract .....	<u>0.030</u>
Total .....	\$0.740
Average Annual Debt Service Requirements	
on the Remaining Outstanding Bonds and the Bonds (2020-2044) .....	\$ 3,387,313
Maximum Annual Debt Service Requirement	
on the Remaining Outstanding Bonds and the Bonds (2039) .....	\$ 4,444,338
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual	
Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds	
(2020-2044) at 95% Tax Collections	
Based on 2019 Assessed Valuation (\$668,981,761) .....	\$0.54
Based on the 2020 Preliminary Assessed Valuation (\$744,890,441) .....	\$0.48
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual	
Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds	
(2039) at 95% Tax Collections	
Based on 2019 Assessed Valuation (\$668,981,761) .....	\$0.70
Based on the 2020 Preliminary Assessed Valuation (\$744,890,441) .....	\$0.63
Number of Single-Family Homes (including 76 homes in various	
stages of construction) as of May 1, 2020 .....	1,340

- (a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as the preliminary value as of January 1, 2020. This value represents the preliminary determination of the taxable value in the District as of January 1, 2020. No taxes will be levied on this preliminary value, which is subject to protest by the landowners. The value will be certified by the Appraisal Review Board and taxes will be levied on the certified value. See "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."

### 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	Estimated Overlapping	
	April 30, 2020	Percent	Amount
Fort Bend County	\$559,527,527	0.94%	\$5,262,020
Fort Bend Independent School District	1,247,008,767	1.58%	19,702,090
Houston Community College	528,150,000	0.01%	52,815
City of Missouri City	164,780,000	0.01%	16,478
SPLID	127,445,000	17.77%	<u>22,647,221</u>
Total Estimated Overlapping Debt			<u>\$ 47,680,624</u>
The District			<u>\$ 61,300,000(a)</u>
Total Direct & Estimated Overlapping Debt			<u>\$108,980,624</u>

(a) Includes the Bonds.

### Debt Ratios

	% of 2019 Assessed Valuation	% of 2020 Preliminary Assessed Valuation
Direct Debt (a)	9.16%	8.23%
Direct and Estimated Overlapping Debt (a)	16.29%	14.63%

(a) Includes the 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 Resolutions 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; and – Contract Tax."

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

Title I of the Texas 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 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; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve 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 the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, 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 for the full value of the veteran's residence 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. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. 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 will also apply 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 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 service member's death and said property was the service member's residence homestead at the time of death. Such exemption may 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.

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. For the 2020 tax year, the District has granted a \$20,000 exemption for persons over 65 years of age and for disabled persons.

**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 by before July 1. See "TAX DATA – Exemptions." The District has not granted a homestead exemption for the 2020 tax year.

**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 2014 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 2013 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.

### **Tax Abatement**

Fort Bend County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Fort Bend 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, Fort Bend County has not designated any portion of the District 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 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.

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

property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

### **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, 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. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. 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, 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 in writing 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 equal 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 continues to accrue during the period of deferral.

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

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 Property 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 on an annual basis, beginning with the 2020 tax rate which is set in September or October each year. 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 two years for residential and agricultural property and six months for commercial property and all 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 Resolutions 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"). For the 2019 tax year, the District levied a total tax rate of \$0.740 per \$100 of assessed valuation comprised of: a debt service tax of \$0.605 per \$100 of assessed valuation, a maintenance and operations tax of \$0.105 per \$100 of assessed valuation, and a contract tax of \$0.030 per \$100 of assessed valuation.

### **Tax Rate Limitation**

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$1.00 per \$100 assessed valuation.
Contract:	Unlimited (no legal limit as to rate or amount).

### **Maintenance Tax**

The Board 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 May 15, 2004, the Board was authorized by a vote of the District's electors to levy such maintenance tax in an amount not to exceed \$1.00 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 Remaining Outstanding Bonds, 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."

### **Exemptions**

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 April 1 (for personal



property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Property 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 2019 Assessed Valuation of \$668,981,761 or the 2020 Preliminary Assessed Valuation of \$744,890,441. The calculations assume collection of 95% of taxes levied, and the sale of no additional bonds by the District except the Remaining Outstanding Bonds and the Bonds.

Average Annual Debt Service Requirements (2020-2044).....	\$3,387,313
Tax Rate of \$0.54 on the 2019 Assessed Valuation produces .....	\$3,431,876
Tax Rate of \$0.48 on the 2020 Preliminary Assessed Valuation.....	\$3,396,700
Maximum Annual Debt Service Requirement (2039).....	\$4,444,338
Tax Rate of \$0.70 on the 2019 Assessed Valuation produces .....	\$4,448,729
Tax Rate of \$0.63 on the 2020 Preliminary Assessed Valuation.....	\$4,458,169

### 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. All the land located within the District lies within the SPLID. The following chart includes the 2019 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

Taxing Jurisdiction	2019 Tax Rate Per \$100 of A.V.	
	Outside City of Missouri City	Within City of Missouri City (d)
The District (a)	\$0.740000	\$0.740000
Fort Bend County(b)	0.460000	0.460000
Fort Bend ISD	1.270000	1.270000
City of Missouri City (c)	---	0.630000
Houston Community College System (c)	---	0.100263
Sienna Plantation LID	<u>0.450000</u>	<u>0.450000</u>
Total Tax Rate	<u>\$2.920000</u>	<u>\$3.650263</u>

(a) See "Tax Rate Distribution."

(b) Includes \$0.0153 for the Fort Bend County Drainage District.

(c) A portion of the District is located in the corporate limits of the City.

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 2015-2019 tax rolls:

Type of Property	2019 Assessed Valuation	2018 Assessed Valuation	2017 Assessed Valuation	2016 Assessed Valuation	2015 Assessed Valuation
Land	\$156,308,192	\$149,285,087	\$137,054,197	\$127,389,845	\$113,425,683
Improvements	558,344,466	523,929,674	507,400,855	473,612,329	386,934,260
Personal Property	3,371,330	3,293,280	3,016,290	3,051,080	2,159,740
Exemptions	<u>(49,042,227)</u>	<u>(43,022,515)</u>	<u>(40,524,756)</u>	<u>(36,305,468)</u>	<u>(43,220,272)</u>
Total	\$668,981,761	\$633,485,526	\$606,946,586	\$567,747,786	\$459,299,411

### Historical Collections

Tax Year	Assessed Valuation	Tax Rate/ \$100	Adjusted Levy	% Collections Current Year	Year Ending 9/30	% Collections as of 3/31/20
2015	\$459,299,411	\$0.94	\$4,317,414	99.60%	2016	99.80%
2016	567,747,786	0.88	4,996,181	99.72%	2017	99.83%
2017	606,946,586	0.87	5,280,435	99.39%	2018	99.85%
2018	633,485,526	0.77	4,877,839	99.53%	2019	99.85%
2019	668,981,761	0.74	4,950,465	97.43% (a)	2020	97.43%

(a) Collections as of March 31, 2020."

### Tax Rate Distribution

	2019	2018	2017	2016	2015
Debt Service	\$0.6050	\$0.5900	\$0.6200	\$0.6650	\$0.6450
Maintenance	0.1050	0.1450	0.2500	0.2150	0.2050
Contract (a)	<u>0.0300</u>	<u>0.0350</u>	-	-	<u>0.0900</u>
	\$0.7400	\$0.7700	\$0.8700	\$0.8800	\$0.9400

(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 2019 tax years.

Taxpayer	Type of Property	Assessed Valuation 2019 Tax Roll
Taylor Morrison of Texas Inc. (a)	Land, Improvement, & Personal Property	\$5,379,430
Trung Tin Investments LLC	Land & Improvements	3,729,350
Gonsoulin Enterprises Inc	Land & Improvements	3,609,650
Homeowner	Land & Improvements	2,716,330
Magnolia H LLC	Land & Improvements	2,518,924
Darling Homes of Texas LLC	Land, Improvements & Personal Property	2,383,930
Homeowner	Land & Improvements	2,335,190
Homeowner	Land & Improvements	2,216,060
Homeowner	Land & Improvements	2,065,440
Winland Realty Cypress LLC	Land	<u>2,005,070</u>
Total		<u>\$28,959,374</u>
% of Respective Tax Roll		4.33%

(a) See "THE DEVELOPERS."

## 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 the 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 TCEQ and, pursuant to the Master District Contract, has the responsibility to provide such facilities necessary to serve the District, Sienna Plantation Municipal Utility District Nos. 2, 3, 4, 5, 6, 7, and 10, and the Sienna Plantation Management District (each a "Participant District"). Flood protection and certain stormwater drainage facilities are being provided by SPLID.

### Historical Operations of the System

	Fiscal Year Ended,				
	2019	2018	2017	2016	2015
<b>REVENUES:</b>					
Water Service	\$620,951	\$613,691	\$582,170	\$549,775	\$427,847
Sewer Service	668,624	630,412	590,879	542,866	473,218
Fire Service	311,543	284,916	264,242	248,333	118,917
Property Taxes	1,144,324	1,505,583	1,224,209	1,347,252	381,741
Penalties and Interest	21,847	19,644	18,083	17,189	17,033
Tap Connection & Inspection Fees	221,587	234,563	157,376	191,766	295,549
Surface Water Fees	563,116	591,526	582,995	527,109	402,267
Miscellaneous	29,664	12,962	29,015	13,947	16,192
Investment Earnings	<u>98,254</u>	<u>56,801</u>	<u>14,861</u>	<u>4,328</u>	<u>796</u>
<b>TOTAL REVENUES</b>	<b>\$3,679,910</b>	<b>\$3,950,098</b>	<b>\$3,463,830</b>	<b>\$3,442,565</b>	<b>\$2,133,560</b>
<b>EXPENDITURES:</b>					
<b>Current Service Operations</b>					
Professional Fees	\$130,142	\$127,148	\$117,078	\$153,689	\$110,125
Contracted Services	422,869	384,868	317,270	286,813	435,950
Repairs and Maintenance	241,993	210,155	109,522	259,674	376,210
Utilities	5,524	3,003	1,743	2,063	2,030
Surface Water Fees	569,767	617,003	582,995	527,109	461,474
Administrative	59,296	75,477	63,491	55,567	58,852
Other	35,395	21,333	21,099	12,238	26,536
Capital Outlay	-	801,256	-	-	-
<b>Intergovernmental</b>					
Monthly Connection Charges	391,306	414,506	389,818	343,675	354,274
Lease Contributions	105,030	113,332	103,149	116,376	74,078
Renewal and Replacement Fund	59,569	69,816	56,310	63,360	41,785
Contractual Contributions	199,536	-	2,028	410,946	235,000
Fire Protection	317,469	286,810	264,472	258,123	20,232
Elimination of Contingency Reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,619</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<b>\$2,537,896</b>	<b>\$3,124,707</b>	<b>\$2,028,975</b>	<b>\$2,498,252</b>	<b>\$2,196,546</b>
<b>Excess (Deficiency) of Revenues</b>					
Over Expenditures	<u>\$1,142,014</u>	<u>\$825,391</u>	<u>\$1,434,855</u>	<u>\$944,313</u>	<u>\$(62,986)</u>

## **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 entered 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 such Participant Districts. 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. The Master District is presently charging the District and the other Participating Districts \$24.60 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 Sienna Plantation.

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. As of April 1, 2020, the Master District was serving approximately 9,564 active non-irrigation ESFCs.

The Master District entered into an interlocal agreement with the City on January 7, 2008, and, under this agreement, the Master District is entitled to all of the capacities and facilities necessary to support 1,000 ESFC from the City of Missouri City Mustang Bayou Plant. The interconnect between the City and the Master District 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 April 1, 2020, the Master District was serving approximately 9,564 active ESFC.

The Master District has begun construction of a permanent WWTP system to serve the Participant Districts. The Participant 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 such permanent WWTP system. The District is contractually obligated to pay its pro rata share of the annual debt service to the Master District. Of the \$25,010,000 sold, of which \$24,740,000 remains outstanding as of April 1, 2020. Approximately \$3,405,000 of such outstanding Master District debt is attributable to the District.

### **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 an 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. The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Participation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the Service Area may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the Service Area. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. Currently, it is not anticipated that Fort Bend County and

FBCDD will require the District to modify or improve its Flood Protection System to meet the new Atlas 14 design standards.

The Flood Protection System and homes in the Service Area, including the District, have been constructed in compliance with all design standards in effect at the time of construction. 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 design standards at the time of construction that required foundational slabs to be built at least one foot above the FEMA BFE for areas mapped in a SFAH, any 100-year flood 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 past 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.

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 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 either street or structural flooding due to 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.

### **Infectious Disease Outlook (COVID-19)**

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the "President") declared the Pandemic a national emergency and the Texas Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the "disaster declarations"). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or



homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition, or on its ratings (see "RATINGS" herein). The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition.

#### **Potential Effects of Oil Price Declines on the Houston Area**

The recent declines in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

#### **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.

#### **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. 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.

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, including purchasing 14 additional stand-by pumps, in order to improve flood fighting ability and further minimize flood risk.

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 a 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. Additionally, the Judge of Fort Bend County, Texas, 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 street or structural flooding due to Hurricane Harvey. Additionally, the Flood Protection System was neither breached nor overtopped. 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.

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

**Economic Factors:** The rate of development within the District is directly related to the vitality of the residential housing industry in the Houston metropolitan area, including particularly the vitality of the market for higher priced homes. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. Although as of October 1, 2019, the District contained 1,244 homes (including 42 homes currently under construction), the District cannot predict the pace or magnitude of future construction in the District. See "DEVELOPMENT WITHIN THE DISTRICT."

**Location and Access:** The District is located in an outlying area of the Houston metropolitan area, approximately 19 miles from the central business district of the City of Houston, 1 mile from a major toll road system and 8 miles from two major highways (U.S. Hwy 59 and Texas State Hwy 288). The Developers and homebuilders active within the District compete for the sale of developed lots and homes with numerous residential development projects located closer to major employment centers and closer to major freeways. In addition, many of the residential developments with which the District competes have lower overlapping taxes. As a result, particularly during times of increased competition, the Developers and homebuilders may find themselves at a competitive disadvantage to the developers and homebuilders in other residential projects located closer to major urban centers or with lower overlapping taxes. 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 2019 Assessed Valuation of property located within the District (see "TAX DATA") is \$668,981,761 and the 2020 Preliminary Assessed Valuation is \$744,890,441. After issuance of the Bonds, the maximum annual debt service requirement on the Remaining Outstanding Bonds and the Bonds will be \$4,444,338 (2039) and the average annual debt service requirements will be \$3,387,313 (2020-2044, inclusive). Assuming no increase to nor decrease from the 2019 Assessed Valuation, tax rates of \$0.70 and \$0.54 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 2020 Preliminary Assessed Valuation, tax rates of \$0.63 and \$0.48 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 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 May 1, 2020, SPLID has \$127,445,000 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. For the 2019 tax year, SPLID levied a debt service tax of \$0.310 per \$100 of assessed valuation as well as a maintenance tax of \$0.140 per \$100 of assessed valuation for a total 2019 tax of \$0.450 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 \$1.19 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 \$0.310 per \$100 of assessed valuation and its maintenance tax of \$0.140 per \$100 of assessed valuation prove to be insufficient to enable SPLID to meet the 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 2019 Assessed Taxable Valuation is \$ 3,764,628,814 .

In April of 2008, the City approved the creation of the City of Missouri City Tax Increment Reinvestment Zone No. 3 (the "TIRZ") encompassing approximately 582 acres. The TIRZ is located in the southern portion of the City along State Highway 6. A portion of SPLID lies within the boundaries of the TIRZ. The purpose of the TIRZ is to fund certain infrastructure costs for new commercial, retail, office, multi-family and town center facilities located within its boundaries. The TIRZ will collect ad valorem tax revenue from the City, Fort Bend County, Fort Bend County Drainage District, Houston Community College and SPLID on the incremental increase in assessed value within the TIRZ from January 1, 2007, to January 1, 2037.

SPLID has agreed to contribute 100% of its tax increment on its area that lies within the TIRZ to the City for the life of the TIRZ or thirty years, whichever is less. SPLID's participation in the TIRZ has the effect of reducing the tax revenues that are available to SPLID to finance SPLID facilities during the life of the TIRZ. For the 2018 tax year, the SPLID's tax increment equaled \$141,507,329 and generated approximately \$604,944 in revenues at SPLID's 2018 tax rate of \$0.450 per \$100 of assessed valuation, which revenues will be contributed to the TIRZ. For the 2019 tax year, the SPLID's tax increment value equals \$215,089,149 and will generate approximately \$919,506 in revenues at SPLID's 2019 tax rate of \$0.450 per \$100 of assessed valuation. After the TIRZ is dissolved or after 30 years, SPLID will collect and retain the tax revenue on all of the land within SPLID previously located in the TIRZ.

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 9,256 single-family residential lots consisting of 8,950 completed homes, 120 homes under construction, 395 vacant and developed lots, and 290 lots under development, the development of 272 rural estate lots in Sienna Point (169 completed homes), and the development of 104 rural estate lots in The Woods (104 completed homes), 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 \$1.19 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 May 24, 2007, the District executed the Master District Contract that requires the Master District to supply water to the District and to provide wastewater treatment service to the District. The Master District Contract defines the means by which the District's pro rata share of the cost of such service (as well as the pro rata share of the other Participant Districts) 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 District has never levied a tax to make its payments to the Master District. Any tax levied by the District to make such payments would be in addition to the other taxes levied by the District. See "– Factors Affecting Taxable Values and Tax Payments – Maximum Impact on District Tax Rates" above.

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 districts, the impact of the TIRZ, 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.

### **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 "Insurance 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 Insurance 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 District which is recovered by the District 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 Insurance Policy (the "Bond Insurer") at such time and in such amounts as would have been due absence 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 Insurance 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 Underwriters 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 "Bond Insurance" herein for further information provided by the Bond Insurer and the Insurance Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

#### **Future Debt**

After the issuance of the Bonds, the District will have \$19,085,000 principal amount of unlimited tax bonds authorized but unissued for refunding purposes, \$62,600,000 principal amount of unlimited tax bonds authorized but unissued for System purposes, and \$1,100,000 principal amount of unlimited tax bonds for Park Facilities (see "THE BONDS – Issuance of Additional Debt"), and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolutions. 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.

Following the issuance of the Bonds, the District will still owe the Developers approximately \$ 4,830,000 for the expenditures to construct water, sanitary sewer and drainage facilities to serve the developed land within the District. The Developers have been fully reimbursed for expenditures to construct park and recreational facilities. . See "THE SYSTEM" and "DEVELOPMENT WITHIN THE DISTRICT."

#### **Competitive Nature of Houston 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 Developers will be continued or completed. The respective competitive positions of the Developers 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 Resolutions contain 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.

#### **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.

## 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-Brazoria 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, the 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, the 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 the 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 the 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, with an attainment deadline of August 3, 2021. 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 a 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 could 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) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the HGB Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’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 has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. 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.

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the “waters of the United States.” The District must obtain a permit from the United States Army Corps of Engineers (“USACE”) if operations of the District require that wetlands be filled, dredged, or otherwise altered.

In 2015, the EPA and 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 expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR will become effective on June 20, 2020, which is published in the Federal Register, and will likely become the subject of further litigation.

Due to ongoing rulemaking activity, as well as existing and possible future litigation, there remains 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 additional permitting requirements.

## **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 the subheadings “– Book-Entry-Only System”), “THE DISTRICT – Authority,” “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 and conforms to the provisions of the order of the TCEQ approving the Bonds. 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 Underwriters 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 Underwriters 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**

#### **Tax Exemption**

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 Underwriters with respect to matters solely within the knowledge of the District, the

District's Financial Advisor and the Underwriters, respectively, which Bond Counsel has not independently verified. Bond Counsel will further rely on the report of Robert Thomas CPA, LLP, with respect to the accuracy of certain mathematical computations. 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.

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.

### **Tax Accounting Treatment of Original Issue Discount**

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") is less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on a Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

### **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 2020 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 2020.

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 Financial Advisor 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, LLC. The computations were independently verified by Robert Thomas CPA, LLC, based upon certain assumptions and information supplied by the Underwriter on behalf of the District, and the District. Robert Thomas CPA, LLC 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 Resolutions, 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 B". The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2020. 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 July 31. Accordingly, it must provide updated information by January 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; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated

person, 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, 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, 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 a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The term "obligated person" and "financial obligations" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). 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 SEC Rule 15c2-12 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 Remaining 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 SEC Rule 15c2-12 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 the District 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 Developers, 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 sections entitled "USE AND DISTRIBUTION OF BOND PROCEEDS," "THE DISTRICT - Description" and "DEVELOPMENT WITHIN THE DISTRICT," has been provided by LJA and that engineering information included in the section entitled "THE SYSTEM," as it relates 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 Tax Tech, Inc. and the Appraisal District. Such information has been included herein in reliance upon Tax Techs' 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 its Board of Directors 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 Underwriters, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriters elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriters an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriters; 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 Underwriters, unless the Underwriters notify 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 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.

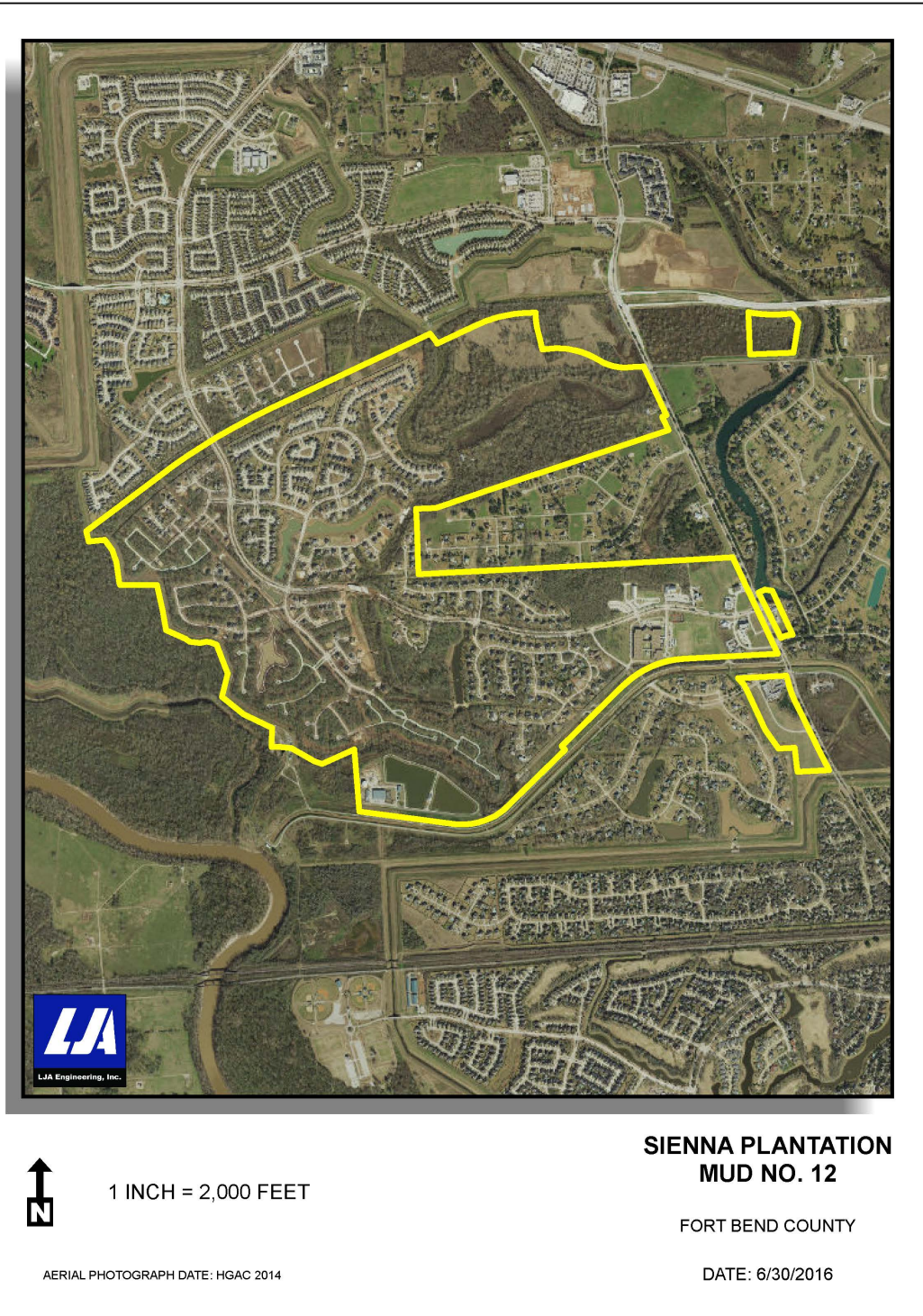
This Official Statement was approved by the Board of Directors of Sienna Plantation Municipal Utility District No. 12 as of the date shown on the first page hereof.

/s/ Stephen E. Jackson  
President, Board of Directors  
Sienna Plantation Municipal Utility District No. 12

ATTEST:

/s/ Peter Slot  
Secretary, Board of Directors  
Sienna Plantation Municipal Utility District No. 12

**APPENDIX A**  
**AERIAL PHOTOGRAPH OF THE DISTRICT**



**APPENDIX B**  
**FINANCIAL STATEMENTS OF THE DISTRICT**

**SIENNA PLANTATION MUNICIPAL  
UTILITY DISTRICT NO. 12**

**FORT BEND COUNTY, TEXAS**

**FINANCIAL REPORT**

**July 31, 2019**

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# McGRATH & CO., PLLC

*Certified Public Accountants*  
2500 Tanglewilde, Suite 340  
Houston, Texas 77063

## Independent Auditors' Report

Board of Directors  
Sienna Plantation Municipal Utility District No. 12  
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major of Sienna Plantation Municipal Utility District No. 12, as of and for the year ended July 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these 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. 12  
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. 12, as of July 31, 2019, 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**

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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.

*McGuire & Co, P.C.*

Houston, Texas  
December 5, 2019

## **Management's Discussion and Analysis**



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***Sienna Plantation Municipal Utility District No. 12  
Management's Discussion and Analysis  
July 31, 2019***

**Using this Annual Report**

Within this section of the financial report of Sienna Plantation Municipal Utility District No. 12 (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 July 31, 2019. 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. 12***  
***Management's Discussion and Analysis***  
***July 31, 2019***

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 July 31, 2019, was negative \$5,331,828. A comparative summary of the District's overall financial position, as of July 31, 2019 and 2018, is as follows:

	2019	2018
Current and other assets	\$ 11,029,382	\$ 10,526,315
Capital assets	55,559,763	55,242,399
Total assets	66,589,145	65,768,714
Total deferred outflows of resources	462,365	500,894
Current liabilities	7,813,226	3,589,039
Long-term liabilities	64,570,112	68,820,271
Total liabilities	72,383,338	72,409,310
Net position		
Net investment in capital assets	(15,349,811)	(14,743,229)
Restricted	4,762,614	4,481,588
Unrestricted	5,255,369	4,121,939
Total net position	\$ (5,331,828)	\$ (6,139,702)

***Sienna Plantation Municipal Utility District No. 12***  
***Management's Discussion and Analysis***  
***July 31, 2019***

The total net position of the District increased during the current fiscal year by \$807,874. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2019	2018
Revenues		
Water and sewer service	\$ 1,289,575	\$ 1,244,103
Property taxes, penalties and interest	4,924,763	5,326,645
Other	1,323,126	1,241,494
Total revenues	<u>7,537,464</u>	<u>7,812,242</u>
Expenses		
Current service operations	1,734,157	1,523,946
Interest and fees	1,923,066	1,973,972
Debt issuance costs	122,186	
Developer interest		22,260
Intergovernmental - Master District	1,375,935	884,464
Depreciation and amortization	1,574,246	1,550,731
Total expenses	<u>6,729,590</u>	<u>5,955,373</u>
Change in net position	807,874	1,856,869
Net position, beginning of year	(6,139,702)	(7,996,571)
Net position, end of year	<u>\$ (5,331,828)</u>	<u>\$ (6,139,702)</u>

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

The District's combined fund balances, as of July 31, 2019, were \$10,571,094, which consists of \$5,207,023 in the General Fund, \$5,410,898 in the Debt Service Fund and negative \$46,827 in the Capital Projects Fund.

*General Fund*

A comparative summary of the General Fund's financial position as of July 31, 2019 and 2018 is as follows:

	2019	2018
Total assets	<u>\$ 5,516,915</u>	<u>\$ 5,192,180</u>
Total liabilities	\$ 286,194	\$ 1,096,649
Total deferred inflows	23,698	30,522
Total fund balance	<u>5,207,023</u>	<u>4,065,009</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 5,516,915</u>	<u>\$ 5,192,180</u>

***Sienna Plantation Municipal Utility District No. 12  
Management's Discussion and Analysis  
July 31, 2019***

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

	2019	2018
Total revenues	\$ 3,679,910	\$ 3,950,098
Total expenditures	(2,537,896)	(3,124,707)
Revenues over expenditures	\$ 1,142,014	\$ 825,391

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, fees charged to customers in the District for the provision of water, sewer and fire protection services, and tap connection fees charged to homebuilders in 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 increases as the number of connections increases.
- Tap connection fees fluctuate with homebuilding activity within the District.

***Debt Service Fund***

A comparative summary of the Debt Service Fund's financial position as of July 31, 2019 and 2018 is as follows:

	2019	2018
Total assets	\$ 5,534,006	\$ 5,298,978
Total liabilities	\$ 1,534	\$ 26,591
Total deferred inflows	121,574	151,685
Total fund balance	5,410,898	5,120,702
Total liabilities, deferred inflows and fund balance	\$ 5,534,006	\$ 5,298,978

***Sienna Plantation Municipal Utility District No. 12  
Management's Discussion and Analysis  
July 31, 2019***

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

	2019	2018
Total revenues	\$ 3,894,342	\$ 3,833,127
Total expenditures	(3,604,146)	(3,589,664)
Revenues over expenditures	\$ 290,196	\$ 243,463

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 an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

***Capital Projects Fund***

A comparative summary of the Capital Projects Fund's financial position as of July 31, 2019 and 2018 is as follows:

	2019	2018
Total assets	\$ 41,253	\$ 8,749
Total liabilities	\$ 88,080	\$ -
Total fund balance	(46,827)	\$ 8,749
Total liabilities and fund balance	\$ 41,253	\$ 8,749

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

	2019	2018
Total revenues	\$ 148	\$ 728
Total expenditures	(5,075,724)	(373,214)
Revenues under expenditures	(5,075,576)	(372,486)
Other changes in fund balance	5,020,000	
Net change in fund balance	\$ (55,576)	\$ (372,486)

The District issued its Series 2018 Water, Sewer and Drainage Bond Anticipation Note and Series 2018 Park Bond Anticipation Note in the current year but did not have any significant capital asset activity in the prior year.

***Sienna Plantation Municipal Utility District No. 12  
Management's Discussion and Analysis  
July 31, 2019***

**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 amended the budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$1,055,209 greater than budgeted. The *Budgetary Comparison Schedule* on page 38 of this report provides variance information per financial statement line item.

**Capital Assets**

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

Capital assets held by the District at July 31, 2019 and 2018 are summarized as follows:

	2019	2018
Capital assets not being depreciated		
Land and improvements	\$ 10,202,559	\$ 9,563,830
Construction in progress	480,425	801,256
	<u>10,682,984</u>	<u>10,365,086</u>
Capital assets being depreciated/amortized		
Infrastructure	35,080,744	33,767,694
Parks and recreational facilities	9,226,268	8,983,412
Master District connection fees	11,587,388	11,587,388
	<u>55,894,400</u>	<u>54,338,494</u>
Less accumulated depreciation/amortization		
Infrastructure	(5,392,321)	(4,630,558)
Parks and recreational facilities	(1,862,466)	(1,401,153)
Master District connection fees	(3,762,834)	(3,429,470)
	<u>(11,017,621)</u>	<u>(9,461,181)</u>
Depreciable capital assets, net	<u>44,876,779</u>	<u>44,877,313</u>
Capital assets, net	<u>\$ 55,559,763</u>	<u>\$ 55,242,399</u>

Capital asset additions during the current year include landscaping and sidewalks to serve Avalon at Sienna Plantation Phase 6 and utilities to serve Avalon at Sienna Plantation, Sections 3 and 5.

***Sienna Plantation Municipal Utility District No. 12***  
***Management's Discussion and Analysis***  
***July 31, 2019***

The District's construction in progress is for natural gas generators to serve the District's lift stations. During the current year, it was determined that payments made to Sienna Plantation Municipal Utility District No. 1 in the previous fiscal year for the natural gas generators had been classified as infrastructure instead of construction in progress. Amounts reported for 2018 have been restated from the prior year report to reflect the revised classification. This reclassification had no impact on total assets or net position.

**Long-Term Debt and Related Liabilities**

As of July 31, 2019, the District owes \$12,294,017 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of \$722,055 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At July 31, 2019 and 2018, the District had total bonded debt outstanding as shown below:

Series	2019	2018
2008	\$ -	\$ 140,000
2009		105,000
2013	1,815,000	1,875,000
2013A	3,215,000	3,320,000
2014	9,830,000	10,115,000
2015 Refunding	7,985,000	8,215,000
2015	23,675,000	24,170,000
2016	3,785,000	3,900,000
2016A Park	4,725,000	4,865,000
	<u>\$ 55,030,000</u>	<u>\$ 56,705,000</u>

At July 31, 2019, the District had \$32,090,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$2,500,000 for parks and recreational facilities and \$19,085,000 for refunding purposes.

During the year, the District issued a \$3,955,000 water, sewer and drainage bond anticipation note (BAN) and a \$1,065,000 park BAN to provide short term financing for developer reimbursements. The District intends to repay the BANs with proceeds from the issuance of long-term debt. See Note 6 for additional information.



***Sienna Plantation Municipal Utility District No. 12  
Management's Discussion and Analysis  
July 31, 2019***

**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>2019 Actual</u>	<u>2020 Budget</u>
Total revenues	\$ 3,679,910	\$ 3,422,950
Total expenditures	(2,537,896)	(2,253,701)
Revenues over expenditures	1,142,014	1,169,249
Beginning fund balance	4,065,009	5,207,023
Ending fund balance	<u>\$ 5,207,023</u>	<u>\$ 6,376,272</u>

**Property Taxes**

The District's property tax base increased approximately \$36,585,000 for the 2019 tax year from \$633,485,526 to \$670,070,390. This increase was primarily due to new construction in the District. For the 2019 tax year, the District has levied a maintenance tax rate of \$0.105 per \$100 of assessed value, a contract tax rate of \$0.03 per \$100 of assessed value, and a debt service tax rate of \$0.605 per \$100 of assessed value, for a total combined tax rate of \$0.74 per \$100. Tax rates for the 2018 tax year were \$0.145 per \$100 for maintenance and operations, \$0.035 per \$100 for contract tax and \$0.59 per \$100 for debt service for a combined total of \$0.77 per \$100 of assessed value.

## **Basic Financial Statements**

**Sienna Plantation Municipal Utility District No. 12**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**July 31, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 601,986	\$ 64,117	\$ 37,934	\$ 704,037	\$ -	\$ 704,037
Investments	4,502,479	5,355,821	3,319	9,861,619		9,861,619
Taxes receivable, net	23,698	121,574		145,272		145,272
Customer service receivables	274,284			274,284		274,284
Internal balances	94,946	(7,506)	(87,440)			
Other receivables	19,522			19,522		19,522
Prepaid bond insurance, net					24,648	24,648
Capital assets not being depreciated					10,682,984	10,682,984
Capital assets, net					44,876,779	44,876,779
Total Assets	<u>\$ 5,516,915</u>	<u>\$ 5,534,006</u>	<u>\$ (46,187)</u>	<u>\$ 11,004,734</u>	<u>55,584,411</u>	<u>66,589,145</u>
<b>Deferred Outflows of Resources</b>						
Deferred difference on refunding					462,365	462,365
<b>Liabilities</b>						
Accounts payable	\$ 278,976	\$ -	\$ 640	\$ 279,616		279,616
Other payables	3,568	1,534		5,102		5,102
Customer deposits	3,650			3,650		3,650
Accrued interest payable					769,858	769,858
Bond anticipation notes payable					5,020,000	5,020,000
Due to developers					12,294,017	12,294,017
Long-term debt						
Due within one year					1,735,000	1,735,000
Due after one year					52,276,095	52,276,095
Total Liabilities	<u>286,194</u>	<u>1,534</u>	<u>640</u>	<u>288,368</u>	<u>72,094,970</u>	<u>72,383,338</u>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	<u>23,698</u>	<u>121,574</u>		<u>145,272</u>	<u>(145,272)</u>	
<b>Fund Balances/Net Position</b>						
<b>Fund Balances</b>						
Restricted		5,410,898		5,410,898	(5,410,898)	
Unassigned	<u>5,207,023</u>		<u>(46,827)</u>	<u>5,160,196</u>	<u>(5,160,196)</u>	
Total Fund Balances	<u>5,207,023</u>	<u>5,410,898</u>	<u>(46,827)</u>	<u>10,571,094</u>	<u>(10,571,094)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,516,915</u>	<u>\$ 5,534,006</u>	<u>\$ (46,187)</u>	<u>\$ 11,004,734</u>		
<b>Net Position</b>						
Net investment in capital assets					(15,349,811)	(15,349,811)
Restricted for debt service					4,762,614	4,762,614
Unrestricted					5,255,369	5,255,369
Total Net Position					<u>\$ (5,331,828)</u>	<u>\$ (5,331,828)</u>

See notes to basic financial statements.

**Sienna Plantation Municipal Utility District No. 12**  
**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended July 31, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Water service	\$ 620,951	\$ -	\$ -	\$ 620,951	\$ -	\$ 620,951
Sewer service	668,624			668,624		668,624
Fire service	311,543			311,543		311,543
Property taxes	1,144,324	3,764,966		4,909,290	(18,456)	4,890,834
Penalties and interest	21,847	30,562		52,409	(18,480)	33,929
Tap connection and inspection	221,587			221,587		221,587
Surface water	563,116			563,116		563,116
Miscellaneous	29,664			29,664		29,664
Investment earnings	98,254	98,814	148	197,216		197,216
<b>Total Revenues</b>	<b>3,679,910</b>	<b>3,894,342</b>	<b>148</b>	<b>7,574,400</b>	<b>(36,936)</b>	<b>7,537,464</b>
<b>Expenditures/Expenses</b>						
Current service operations						
Professional fees	130,142		126,828	256,970		256,970
Contracted services	422,869	74,292		497,161		497,161
Repairs and maintenance	241,993			241,993		241,993
Utilities	5,524			5,524		5,524
Surface water	569,767			569,767		569,767
Drainage impact fees			64,289	64,289		64,289
Administrative	59,296	3,676	54	63,026		63,026
Other	35,395	32		35,427		35,427
Capital outlay			4,762,367	4,762,367	(4,762,367)	
Debt service						
Principal		1,675,000		1,675,000	(1,675,000)	
Interest and fees		1,851,146		1,851,146	71,920	1,923,066
Debt issuance costs			122,186	122,186		122,186
Intergovernmental - Master District						
Monthly connection charges	391,306			391,306		391,306
Lease contributions	105,030			105,030		105,030
Renewal and replacement fund	59,569			59,569		59,569
Contractual obligations	199,536			199,536		199,536
Fire protection	317,469			317,469		317,469
Capital contribution - regional facilities					303,025	303,025
Depreciation and amortization					1,574,246	1,574,246
<b>Total Expenditures/Expenses</b>	<b>2,537,896</b>	<b>3,604,146</b>	<b>5,075,724</b>	<b>11,217,766</b>	<b>(4,488,176)</b>	<b>6,729,590</b>
<b>Revenues Over/ (Under) Expenditures</b>	<b>1,142,014</b>	<b>290,196</b>	<b>(5,075,576)</b>	<b>(3,643,366)</b>	<b>3,643,366</b>	
<b>Other Financing Source</b>						
Proceeds from bond anticipation notes			5,020,000	5,020,000	(5,020,000)	
<b>Net Change in Fund Balances</b>	<b>1,142,014</b>	<b>290,196</b>	<b>(55,576)</b>	<b>1,376,634</b>	<b>(1,376,634)</b>	
<b>Change in Net Position</b>					<b>807,874</b>	<b>807,874</b>
Fund Balance/Net Position						
Beginning of the year	4,065,009	5,120,702	8,749	9,194,460	(15,334,162)	(6,139,702)
<b>End of the year</b>	<b>\$ 5,207,023</b>	<b>\$ 5,410,898</b>	<b>\$ (46,827)</b>	<b>\$ 10,571,094</b>	<b>\$ (15,902,922)</b>	<b>\$ (5,331,828)</b>

See notes to basic financial statements.

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***Sienna Plantation Municipal Utility District No. 12***  
***Notes to Basic Financial Statements***  
***July 31, 2019***

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

The accounting policies of Sienna Plantation Municipal Utility District No. 12 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the most significant policies:

**Creation**

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated September 26, 2002, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on October 3, 2002 and the first bonds were sold on October 9, 2007.

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

**Government-Wide and Fund Financial Statements**

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

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

*Sienna Plantation Municipal Utility District No. 12*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

**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 fees charged to customers for the provision of water, sewer and fire protection services. 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.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer, drainage, parks and recreational facilities.

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

**Measurement Focus and Basis of Accounting**

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

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, 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. 12*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

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

**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 July 31, 2019, allowances of \$567 was provided for possible uncollectible property taxes. An allowance for uncollectable water/sewer accounts was not considered necessary.

**Interfund Activity**

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is 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 acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, parks and recreational facilities, and Master District connection fees are depreciated or amortized using the straight-line method as follows:

Assets	Useful Life
Infrastructure	45 years
Parks and recreational facilities	20 years
Master District connection fees	Remaining life of contract



*Sienna Plantation Municipal Utility District No. 12*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

**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 a refunding bond transaction 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 does not have any nonspendable fund balances.

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

*Sienna Plantation Municipal Utility District No. 12*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

**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 and deficit balances in other funds.

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

**Use of Estimates**

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

*Sienna Plantation Municipal Utility District No. 12*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

**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		\$ 10,571,094
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.		24,648
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 66,577,384	
Less accumulated depreciation/amortization	(11,017,621)	
Change due to capital assets		55,559,763
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.		462,365
Amounts due to the District's developers for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .		(12,294,017)
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	(54,011,095)	
Bond anticipation notes payable	(5,020,000)	
Interest payable on bonds	(769,858)	
Change due to long-term debt		(59,800,953)
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 recorded as deferred inflows in the funds.		
Property taxes receivable	103,947	
Penalty and interest receivable	41,325	
Change due to property taxes		145,272
Total net position - governmental activities		<u><u>\$ (5,331,828)</u></u>

*Sienna Plantation Municipal Utility District No. 12*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

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

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

Net change in fund balances - total governmental funds	\$ 1,376,634
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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 <i>Statement of Activities</i> when earned. The difference is for property taxes and related penalties and interest.	(36,936)
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Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 4,762,367	
Depreciation/amortization expense	(1,574,246)	
	<u>3,188,121</u>	

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.

Issuance of bond anticipation notes	(5,020,000)	
Principal payments	1,675,000	
Interest expense accrual	(71,920)	
	<u>(3,416,920)</u>	

The District incurred costs to construct natural gas generators to serve regional facilities which are considered capital assets of the Master District. These amounts are reported as capital contributions.	(303,025)
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Change in net position of governmental activities	<u>\$ 807,874</u>
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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.

#### **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.

*Sienna Plantation Municipal Utility District No. 12*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

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

**Investments (continued)**

As of July 31, 2019, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
TexPool	General	\$ 1,892,688			
	Debt Service	5,338,886			
	Capital Projects	3,319			
		<u>7,234,893</u>	73%	AAAm	35 days
Texas CLASS	General	2,609,816			
	Debt Service	16,910			
		<u>2,626,726</u>	27%	AAAm	49 days
Total		<u>\$ 9,861,619</u>	100%		

**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 administer and Wells Fargo Bank as the custodian.

*Sienna Plantation Municipal Utility District No. 12*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

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

**Texas CLASS (continued)**

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.

**Note 4 – Interfund Balances and Transactions**

Amounts due to/from other funds at July 31, 2019, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 7,506	Maintenance tax collections not remitted as of year end.
General Fund	Capital Projects Fund	87,440	Bond application fees paid by the General Fund.

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

**Sienna Plantation Municipal Utility District No. 12**  
**Notes to Basic Financial Statements**  
**July 31, 2019**

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended July 31, 2019, is as follows:

	Beginning Balances	Additions/ Adjustments	Retirements	Ending Balances
Capital assets not being depreciated				
Land and improvements	\$ 9,563,830	\$ 638,729	\$ -	\$ 10,202,559
Construction in progress	801,256		(320,831)	480,425
	<u>10,365,086</u>	<u>638,729</u>	<u>(320,831)</u>	<u>10,682,984</u>
Capital assets being depreciated/amortized				
Infrastructure	33,767,694	1,313,050		35,080,744
Parks and recreational facilities	8,983,412	242,856		9,226,268
Master District connection fees	11,587,388			11,587,388
	<u>54,338,494</u>	<u>1,555,906</u>		<u>55,894,400</u>
Less accumulated depreciation/amortization				
Infrastructure	(4,630,558)	(779,569)	(17,806)	(5,392,321)
Parks and recreational facilities	(1,401,153)	(461,313)		(1,862,466)
Master District connection fees	(3,429,470)	(333,364)		(3,762,834)
	<u>(9,461,181)</u>	<u>(1,574,246)</u>	<u>(17,806)</u>	<u>(11,017,621)</u>
Subtotal depreciable capital assets, net	<u>44,877,313</u>	<u>(18,340)</u>	<u>(17,806)</u>	<u>44,876,779</u>
Capital assets, net	<u>\$ 55,242,399</u>	<u>\$ 620,389</u>	<u>\$ (338,637)</u>	<u>\$ 55,559,763</u>

Depreciation/amortization expense for the current year was \$1,574,246.

**Note 6 – Bond Anticipation Note**

The District uses a bond anticipation note (BAN) to provide short term financing for reimbursements to its developers. Despite its short term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

On December 13, 2018, the District issued a \$3,955,000 water, sewer and drainage BAN with an interest rate of 2.64% and a \$1,065,000 park BAN with an interest rate of 2.64%, which are both due on December 12, 2019. These BANs were repaid subsequent to year end. See Note 14 for additional information. The effect of these transactions on the District's short term obligations are as follows:

Beginning balance	\$ -
Amounts borrowed	<u>5,020,000</u>
Ending balance	<u>\$ 5,020,000</u>



*Sienna Plantation Municipal Utility District No. 12*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

**Note 7 – Due to Developers**

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

Changes in amounts due to developers during the year are as follows:

Due to developers, beginning of year	\$ 14,861,749
Developer reimbursements	(4,762,367)
Developer funded construction and adjustments	2,194,635
Due to developers, end of year	<u>\$ 12,294,017</u>

In addition, the District will owe the developers approximately \$722,055, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Avalon at Sienna Section 5 - utilities	<u>\$ 722,055</u>	<u>\$ 227,436</u>	<u>\$ 494,619</u>

**Note 8 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 55,030,000
Unamortized discounts	(1,018,905)
	<u>\$ 54,011,095</u>
Due within one year	<u>\$ 1,735,000</u>

*Sienna Plantation Municipal Utility District No. 12*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

**Note 8 – Long-Term Debt (continued)**

The District's bonds payable at July 31, 2019, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2013	\$ 1,815,000	\$ 2,160,000	2.00% - 4.00%	September 1 2013-2037	September 1, March 1	September 1, 2020
2013A	3,215,000	3,685,000	3.50% - 5.00%	September 1 2014-2037	September 1, March 1	September 1, 2020
2014	9,830,000	10,850,000	2.00% - 4.00%	September 1 2015-2038	September 1, March 1	September 1, 2022
2015 Refunding	7,985,000	8,675,000	2.00% - 4.00%	September 1 2015-2032	September 1, March 1	September 1, 2023
2015	23,675,000	25,055,000	2.00% - 4.50%	September 1 2016-2039	September 1, March 1	September 1, 2023
2016	3,785,000	4,010,000	2.00% - 3.00%	September 1 2017-2040	September 1, March 1	September 1, 2024
2016A Park	4,725,000	5,000,000	2.00% - 3.00%	September 1 2017-2040	September 1, March 1	September 1, 2024
	<u>\$ 55,030,000</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 July 31, 2019, the District had authorized but unissued bonds in the amount of \$32,090,000 for water, sewer and drainage facilities; \$2,500,000 for park and recreational facilities and \$19,085,000 for refunding purposes.

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

Bonds payable, beginning of year	\$ 56,705,000
Bonds retired	<u>(1,675,000)</u>
Bonds payable, end of year	<u>\$ 55,030,000</u>

*Sienna Plantation Municipal Utility District No. 12*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

**Note 8 – Long-Term Debt (continued)**

As of July 31, 2019, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2020	\$ 1,735,000	\$ 1,802,218	\$ 3,537,218
2021	1,790,000	1,756,163	3,546,163
2022	1,855,000	1,709,665	3,564,665
2023	1,915,000	1,665,073	3,580,073
2024	1,985,000	1,616,562	3,601,562
2025	2,055,000	1,562,358	3,617,358
2026	2,130,000	1,502,750	3,632,750
2027	2,205,000	1,438,645	3,643,645
2028	2,290,000	1,369,451	3,659,451
2029	2,380,000	1,294,907	3,674,907
2030	2,465,000	1,216,120	3,681,120
2031	2,565,000	1,131,239	3,696,239
2032	2,665,000	1,039,522	3,704,522
2033	2,780,000	942,522	3,722,522
2034	2,960,000	839,332	3,799,332
2035	3,090,000	729,134	3,819,134
2036	3,230,000	612,656	3,842,656
2037	3,370,000	489,238	3,859,238
2038	3,515,000	358,663	3,873,663
2039	3,675,000	224,025	3,899,025
2040	3,835,000	86,138	3,921,138
2041	540,000	8,100	548,100
	<u>\$ 55,030,000</u>	<u>\$ 23,394,480</u>	<u>\$ 78,424,480</u>

**Note 9 – Property Taxes**

On May 15, 2004, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$1.00 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.

*Sienna Plantation Municipal Utility District No. 12*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

**Note 9 – Property Taxes (continued)**

Property taxes are collected based on rates adopted in the year of the levy. The District's 2019 fiscal year was financed through the 2018 tax levy, pursuant to which the District levied property taxes of \$0.77 per \$100 of assessed value, of which \$0.145 was allocated to maintenance and operations, \$0.035 was allocated for contractual obligations and \$0.59 was allocated to debt service. The resulting tax levy was \$4,877,839 on the adjusted taxable value of \$633,485,526.

Net property taxes receivable, at July 31, 2019, consisted of the following:

Current year taxes receivable	\$ 29,617
Prior years taxes receivable	74,897
Less allowance for uncollectible accounts	(567)
	<u>103,947</u>
Penalty and interest receivable	41,325
Net property taxes receivable	<u><u>\$ 145,272</u></u>

**Note 10 – 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 prorated share of the Master District's capital cost (Master District connection fees) which future costs will be capitalized;
- 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 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;
- The District's prorated share of the Master District's monthly wastewater treatment plant lease payments;
- Monthly charges for the District's share of fire protection services;
- Contractual obligations for the District's share of the Master District's debt service obligations; and
- Other amounts as required by the Master District to finance the District's portion of regional facilities.

*Sienna Plantation Municipal Utility District No. 12*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

**Note 10 – Contracts with Sienna Plantation Municipal Utility District No. 1 (continued)**

During the year ended July 31, 2019, the District incurred the following costs pursuant to this contract:

- Monthly charges for purchased services in the amount of \$391,306;
- Monthly charges for the District's pro-rata share of wastewater treatment plant leases in the amount \$105,030;
- Monthly charges for the Master District renewal and replacement fund of \$59,569;
- Contractual obligations in the amount of \$199,536 for 2019 debt service requirements; and
- Monthly charges for fire protection services of \$317,469.

**Master District Debt**

The Master District is authorized to issue bonds for the purpose of acquiring and constructing facilities needed to provide services to Sienna Plantation. The District shall be obligated to contribute to the payment of the Master District's debt service requirements based on its allocated share of the debt.

On May 29, 2018, the Master District sold its \$25,010,000 Series 2018 Contract Revenue Bonds to the Texas Water Development Board as part of a plan to finance construction of approximately \$40 million in regional wastewater facilities. Additional financing for these facilities was obtained from cash contributions made by participating districts in the previous fiscal years. The District's pro-rata share of total costs of the regional facilities is \$4,499,363 which was funded by cash contributions of \$734,363 and the District's allocated share of bond proceeds of \$3,765,000. The District is required to pay contract revenues to the Master District in an amount sufficient to provide for the District's pro-rata share of the Master District's annual debt service requirements until such time as the bonds have been repaid.

As of July 31, 2019, the Master District has \$25,010,000 in contract revenue bonds outstanding and the District's share of said bonds is \$3,765,000. The Master District bills the District in January of each year for its pro rata share of debt service requirements.

*Sienna Plantation Municipal Utility District No. 12*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

**Note 10 – Contracts with Sienna Plantation Municipal Utility District No. 1 (continued)**

**Master District Debt (continued)**

The District's future annual obligation to the Master District for the Master District's debt service requirements (principle and interest) for each of the next five years and in five-year increments thereafter is as follows:

Year	Total
2020	\$ 201,244
2021	199,944
2022	198,406
2023	201,694
2024	199,718
2025- 2029	993,889
2030 - 2034	1,002,744
2035 - 2039	1,002,799
2040 - 2043	796,175
	<u>\$ 4,796,613</u>

**Wastewater Treatment Services Contract**

The Master District provides regional wastewater treatment services to Sienna Plantation pursuant to the First Amendment to Wastewater Treatment Services Contract between the Master District and the City of Missouri City (the "City") dated October 2, 2006, and the Agreement with the City for the Transfer of a Wastewater Treatment Plant Permit and Reserved Wastewater Treatment Plant Capacity dated December 12, 2013. Pursuant to these agreements, the Master District currently operates and maintains two temporary wastewater treatment plants (WWTP 2 and WWTP 3) to serve development within Sienna Plantation. The Master District is obligated to ultimately divert flows from WWTP 3 to a regional City wastewater treatment plant to serve the Sienna North service area and to construct the regional lift station, trunk sewer line and force main needed to divert the flows. The Master District is further responsible for the ultimate design and construction of a permanent wastewater treatment plant and to ensure proper compliance with the City's regionalization scheme.

On June 17, 2019, the Master District and the City entered into a Regional Wastewater Treatment Facilities Agreement pursuant to which the Master District agreed to purchase a portion of the unused and available capacity in the City's Steep Bank/Flat Bank wastewater treatment plant (the "City WWTP") and to design, finance and construct a 1.5 million gallon per day expansion of the City WWTP. The Master District will continue to treat 0.45 million gallons per day at WWTP 3 until the expansion of the City WWTP is operational. The Master District has appropriated \$6,654,000 from its Series 2018 bond proceeds to finance the purchase of existing capacity and the expansion of the City WWTP.

*Sienna Plantation Municipal Utility District No. 12*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

**Note 10 – Contracts with Sienna Plantation Municipal Utility District No. 1 (continued)**

**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 March 5, 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 July 31, 2019, the monthly charge is \$21.50 per connection.

**Note 11 – Agreements with the 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 April 22, 2004, 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 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.

*Sienna Plantation Municipal Utility District No. 12*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

**Note 12 – Recreational Facilities Agreement**

On November 6, 2014, the District entered into a Recreational Facilities Reimbursement Agreement with the Master District and Sienna Plantation Levee Improvement District (“SP LID”) which established the terms and conditions under which certain recreational facilities would be financed. Sienna Plantation Municipal Utility District No. 10 (SP MUD 10) and Sienna Plantation Management District (SP MD) entered into similar agreements with the Master District and SP LID. The District, SP MUD 10 and SP MD are collectively referred to as the Sienna North Districts.

Pursuant to the agreements, SP LID assumed responsibility from the Sienna North Districts for providing funds to the Master District for reimbursing the developer for a portion of the costs providing funds to the Master District for reimbursing the developer for a portion of the costs associated with the construction of the Sienna Sports Complex totaling \$3,326,958. In exchange for the assumption of this obligation, the Sienna North Districts agreed to collectively expend \$3,326,958 to construct a walking trail that would otherwise be constructed by SP LID to serve the Sienna North Districts. Each of the Sienna North Districts will pay an equal one-third share of the cost of the trail.

Upon substantial completion of any portion of the trail, SP LID will assume ownership and responsibility for maintenance of the trail and will invoice the Sienna North Districts for maintenance costs on a quarterly basis. Each of the Sienna North Districts is responsible for an equal one-third portion of the maintenance of the entire trail, regardless of whether the individual district has constructed its portion of the trail.

**Note 13 – 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.

**Note 14 – Subsequent Events**

On November 7, 2019, the District issued its \$6,690,000 Series 2019 Unlimited Tax Bonds at a net effective rate of 2.634570%. Proceeds from the bonds were used to reimburse the District’s developers for infrastructure improvements and land acquisitions in the District, and to repay the Series 2018 BAN issued during the current fiscal year.

On November 7, 2019, the District issued its \$1,400,000 Series 2019 Unlimited Tax Park Bonds at a net effective rate of 2.711916%. Proceeds from the bonds were used to reimburse the District’s developers for park and recreational improvements in the District and to repay the Series 2018 Park BAN issued during the current fiscal year.



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## **Required Supplementary Information**

*Sienna Plantation Municipal Utility District No. 12**Required Supplementary Information - Budgetary Comparison Schedule - General Fund**For the Year Ended July 31, 2019*

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Water service	\$ 504,000	\$ 520,500	\$ 620,951	\$ 100,451
Sewer service	540,000	540,000	668,624	128,624
Fire service	315,534	315,534	311,543	(3,991)
Property taxes	1,389,360	901,618	1,144,324	242,706
Penalties and interest	14,090	14,090	21,847	7,757
Tap connection and inspection	174,888	174,888	221,587	46,699
Surface water	564,141	558,206	563,116	4,910
Miscellaneous	12,600	12,600	29,664	17,064
Investment earnings	60,000	60,000	98,254	38,254
Total Revenues	3,574,613	3,097,436	3,679,910	582,474
<b>Expenditures</b>				
Current service operations				
Professional fees	138,000	138,000	130,142	7,858
Contracted services	360,572	360,572	422,869	(62,297)
Repairs and maintenance	184,180	184,180	241,993	(57,813)
Utilities	1,920	1,920	5,524	(3,604)
Surface water	564,141	558,206	569,767	(11,561)
Administrative	72,147	72,147	59,296	12,851
Other	24,915	24,998	35,395	(10,397)
Intergovernmental - Master District				
Monthly connection charges	1,035,222	1,183,402	391,306	792,096
Lease contributions	113,604	113,604	105,030	8,574
Renewal and replacement fund	58,068	58,068	59,569	(1,501)
Contractual obligations			199,536	(199,536)
Fire protection	315,534	315,534	317,469	(1,935)
Total Expenditures	2,868,303	3,010,631	2,537,896	472,735
<b>Revenues Over Expenditures</b>	706,310	86,805	1,142,014	1,055,209
<b>Fund Balance</b>				
Beginning of the year	4,065,009	4,065,009	4,065,009	
End of the year	\$ 4,771,319	\$ 4,151,814	\$ 5,207,023	\$ 1,055,209

***Sienna Plantation Municipal Utility District No. 12***  
***Notes to Required Supplementary Information***  
***July 31, 2019***

**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. The budget was amended during the year to reflect changes in anticipated revenues and expenditures.

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## **Texas Supplementary Information**

**Sienna Plantation Municipal Utility District No. 12**  
**TSI-1. Services and Rates**  
**July 31, 2019**

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

- |  |   |   |  |
|--|---|---|--|
| <input checked="" type="checkbox"/> Retail Water   | <input type="checkbox"/> Wholesale Water            | <input checked="" type="checkbox"/> Solid Waste / Garbage | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater  | <input type="checkbox"/> Wholesale Wastewater       | <input type="checkbox"/> Flood Control                    | <input type="checkbox"/> Irrigation          |
| <input checked="" type="checkbox"/> Parks / Recreation   | <input checked="" type="checkbox"/> Fire Protection | <input type="checkbox"/> Roads                            | <input type="checkbox"/> Security            |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) |   |   |  |
| <input type="checkbox"/> 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)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Water:	\$ 24.60	10,000	N	\$ 2.25	10,001	to	20,000
				\$ 2.75	20,001	to	no limit
Wastewater:	\$ 43.56	N/A	Y			to	
Surcharge:	\$ -	0	N	\$ 2.42	0	to	no limit

District employs winter averaging for wastewater usage? ☐ Yes ☒ No

Total charges per 10,000 gallons usage:

Water \$ 48.80 Wastewater \$ 43.56

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	485	483	x 1.0	483
1"	887	884	x 2.5	2,210
1.5"	13	13	x 5.0	65
2"	58	57	x 8.0	456
3"			x 15.0	
4"			x 25.0	
6"	1	1	x 50.0	50
8"			x 80.0	
10"			x 115.0	
Total Water	1,444	1,438		3,264
Total Wastewater	1,310	1,305	x 1.0	1,305

See accompanying auditor's report.

**Sienna Plantation Municipal Utility District No. 12**

**TSI-1. Services and Rates**

**July 31, 2019**

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

Gallons purchased from Sienna Plantation MUD 1:	<u>245,570,100</u>	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>245,570,100</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? \_\_\_\_\_

See accompanying auditors' report.



*Sienna Plantation Municipal Utility District No. 12*  
*TSI-2 General Fund Expenditures*  
*For the Year Ended July 31, 2019*

Professional fees		
Legal	\$	93,052
Engineering		22,590
Audit		14,500
		<u>130,142</u>
Contracted services		
Bookkeeping		21,600
Operator		39,391
Garbage collection		221,875
Tap connection and inspection		140,003
		<u>422,869</u>
Repairs and maintenance		<u>241,993</u>
Utilities		<u>5,524</u>
Surface water fees		<u>569,767</u>
Administrative		
Directors fees		13,800
Printing and office supplies		17,032
Insurance		11,226
Other		17,238
		<u>59,296</u>
Other		<u>35,395</u>
Intergovernmental - Master District charges		
Monthly connection charges		391,306
Lease contributions		105,030
Renewal and replacement fund		59,569
Contractual obligations		199,536
Fire protection		317,469
		<u>1,072,910</u>
Total expenditures	\$	<u><u>2,537,896</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	Usage	Cost
Electrical	19,202 kWh	\$ 2,525
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 12*  
*TSI-3. Investments*  
*July 31, 2019*

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexPool	Variable	N/A	\$ 1,668,697
TexPool	Variable	N/A	223,991
Texas CLASS	Variable	N/A	2,609,791
			<u>4,502,479</u>
Debt Service			
TexPool	Variable	N/A	5,338,886
Texas CLASS	Variable	N/A	16,910
Texas CLASS	Variable	N/A	25
			<u>5,355,821</u>
Capital Projects			
TexPool	Variable	N/A	3,319
			<u>3,319</u>
Total - All Funds			<u>\$ 9,861,619</u>

See accompanying auditors' report.

**Sienna Plantation Municipal Utility District No. 12**  
**TSI-4. Taxes Levied and Receivable**  
**July 31, 2019**

	Maintenance Taxes	Debt Service Taxes	Contract Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 28,624	\$ 91,881	\$ 1,898	\$ 122,403
Adjustments	(2,752)	(7,692)	(22)	(10,466)
Adjusted Receivable	25,872	84,189	1,876	111,937
2018 Original Tax Levy	909,978	3,702,669	219,650	4,832,297
Adjustments	8,576	34,895	2,071	45,542
Adjusted Tax Levy	918,554	3,737,564	221,721	4,877,839
Total to be accounted for	944,426	3,821,753	223,597	4,989,776
Tax collections				
Current year	912,977	3,714,870	220,374	4,848,221
Prior years	10,965	26,634	9	37,608
Total Collections	923,942	3,741,504	220,383	4,885,829
Taxes Receivable, End of Year	\$ 20,484	\$ 80,249	\$ 3,214	\$ 103,947
Taxes Receivable, By Years				
2018	\$ 5,577	\$ 22,694	\$ 1,346	\$ 29,617
2017	2,249	5,577		7,826
2016	2,031	6,283		8,314
2015 and prior	10,627	45,695	1,868	58,190
Taxes Receivable, End of Year	\$ 20,484	\$ 80,249	\$ 3,214	\$ 103,947
	2018	2017	2016	2015
Property Valuations				
Land	\$ 150,229,697	\$ 138,004,977	\$ 129,069,615	\$ 116,307,343
Improvements	524,367,244	508,314,365	476,463,926	392,214,940
Personal Property	3,293,280	3,016,290	3,051,080	2,159,740
Exemptions	(44,404,695)	(42,389,046)	(40,836,835)	(51,382,612)
Total Property Valuations	\$ 633,485,526	\$ 606,946,586	\$ 567,747,786	\$ 459,299,411
Tax Rates per \$100 Valuation				
Maintenance tax rates	\$ 0.145	\$ 0.250	\$ 0.215	\$ 0.205
Debt service tax rates	0.590	0.620	0.665	0.645
Contract tax rates	0.035			0.090
Total Tax Rates per \$100 Valuation	\$ 0.770	\$ 0.870	\$ 0.880	\$ 0.940
Adjusted Tax Levy	\$ 4,877,839	\$ 5,280,435	\$ 4,996,181	\$ 4,317,414
Percentage of Taxes Collected to Taxes Levied **	99.39%	99.85%	99.83%	99.80%

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.00 on May 15, 2004

\*\* 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. 12*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2013--by Years*  
*July 31, 2019*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 65,000	\$ 67,886	\$ 132,886
2021	65,000	66,050	131,050
2022	70,000	64,058	134,058
2023	70,000	61,923	131,923
2024	75,000	59,619	134,619
2025	80,000	57,000	137,000
2026	80,000	54,000	134,000
2027	85,000	50,700	135,700
2028	90,000	47,200	137,200
2029	95,000	43,500	138,500
2030	95,000	39,700	134,700
2031	100,000	35,800	135,800
2032	105,000	31,700	136,700
2033	110,000	27,400	137,400
2034	115,000	22,900	137,900
2035	120,000	18,200	138,200
2036	125,000	13,300	138,300
2037	130,000	8,200	138,200
2038	140,000	2,800	142,800
	<u>\$ 1,815,000</u>	<u>\$ 771,935</u>	<u>\$ 2,586,935</u>

See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 12*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2013A--by Years*  
*July 31, 2019*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 110,000	\$ 143,900	\$ 253,900
2021	115,000	139,681	254,681
2022	120,000	135,275	255,275
2023	125,000	130,681	255,681
2024	130,000	125,737	255,737
2025	140,000	120,338	260,338
2026	145,000	114,456	259,456
2027	150,000	108,000	258,000
2028	155,000	101,137	256,137
2029	165,000	93,937	258,937
2030	170,000	86,400	256,400
2031	180,000	78,300	258,300
2032	190,000	69,512	259,512
2033	195,000	60,369	255,369
2034	205,000	50,869	255,869
2035	215,000	40,625	255,625
2036	225,000	29,625	254,625
2037	235,000	18,125	253,125
2038	245,000	6,125	251,125
	<u>\$ 3,215,000</u>	<u>\$ 1,653,092</u>	<u>\$ 4,868,092</u>

See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 12*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2014--by Years*  
*July 31, 2019*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 295,000	\$ 347,956	\$ 642,956
2021	310,000	338,806	648,806
2022	325,000	327,731	652,731
2023	345,000	317,681	662,681
2024	360,000	307,106	667,106
2025	380,000	296,007	676,007
2026	400,000	284,306	684,306
2027	420,000	271,744	691,744
2028	440,000	258,032	698,032
2029	460,000	243,119	703,119
2030	485,000	226,869	711,869
2031	510,000	209,138	719,138
2032	535,000	190,197	725,197
2033	560,000	170,350	730,350
2034	590,000	148,400	738,400
2035	620,000	124,200	744,200
2036	650,000	98,800	748,800
2037	680,000	72,200	752,200
2038	715,000	44,300	759,300
2039	750,000	15,000	765,000
	<u>\$ 9,830,000</u>	<u>\$ 4,291,942</u>	<u>\$ 14,121,942</u>

See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 12*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2015 Refunding--by Years*  
*July 31, 2019*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 490,000	\$ 234,926	\$ 724,926
2021	505,000	224,976	729,976
2022	520,000	214,726	734,726
2023	530,000	203,563	733,563
2024	545,000	190,788	735,788
2025	565,000	175,501	740,501
2026	590,000	158,176	748,176
2027	600,000	140,326	740,326
2028	625,000	121,169	746,169
2029	655,000	99,550	754,550
2030	670,000	76,363	746,363
2031	695,000	51,607	746,607
2032	490,000	29,388	519,388
2033	505,000	10,100	515,100
	<u>\$ 7,985,000</u>	<u>\$ 1,931,159</u>	<u>\$ 9,916,159</u>

See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 12*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2015--by Years*  
*July 31, 2019*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 515,000	\$ 795,519	\$ 1,310,519
2021	525,000	779,919	1,304,919
2022	540,000	766,644	1,306,644
2023	555,000	755,694	1,310,694
2024	570,000	743,731	1,313,731
2025	575,000	730,131	1,305,131
2026	590,000	714,831	1,304,831
2027	615,000	697,494	1,312,494
2028	630,000	678,819	1,308,819
2029	645,000	659,694	1,304,694
2030	675,000	639,894	1,314,894
2031	695,000	618,475	1,313,475
2032	950,000	590,556	1,540,556
2033	995,000	556,519	1,551,519
2034	1,625,000	510,669	2,135,669
2035	1,695,000	451,509	2,146,509
2036	1,770,000	388,706	2,158,706
2037	1,850,000	321,938	2,171,938
2038	1,930,000	251,063	2,181,063
2039	2,420,000	169,500	2,589,500
2040	3,310,000	62,063	3,372,063
	<u>\$ 23,675,000</u>	<u>\$ 11,883,368</u>	<u>\$ 35,558,368</u>

See accompanying auditors' report.



*Sienna Plantation Municipal Utility District No. 12*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2016--by Years*  
*July 31, 2019*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 115,000	\$ 94,306	\$ 209,306
2021	120,000	91,956	211,956
2022	125,000	89,506	214,506
2023	130,000	86,956	216,956
2024	135,000	84,306	219,306
2025	140,000	81,556	221,556
2026	145,000	78,706	223,706
2027	150,000	75,756	225,756
2028	155,000	72,513	227,513
2029	160,000	68,969	228,969
2030	165,000	65,313	230,313
2031	170,000	61,331	231,331
2032	175,000	57,019	232,019
2033	185,000	52,403	237,403
2034	190,000	47,363	237,363
2035	195,000	42,069	237,069
2036	205,000	36,569	241,569
2037	210,000	30,600	240,600
2038	215,000	24,225	239,225
2039	225,000	17,625	242,625
2040	235,000	10,725	245,725
2041	240,000	3,600	243,600
	<u>\$ 3,785,000</u>	<u>\$ 1,273,372</u>	<u>\$ 5,058,372</u>

See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 12*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2016A Park--by Years*  
*July 31, 2019*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 145,000	\$ 117,725	\$ 262,725
2021	150,000	114,775	264,775
2022	155,000	111,725	266,725
2023	160,000	108,575	268,575
2024	170,000	105,275	275,275
2025	175,000	101,825	276,825
2026	180,000	98,275	278,275
2027	185,000	94,625	279,625
2028	195,000	90,581	285,581
2029	200,000	86,138	286,138
2030	205,000	81,581	286,581
2031	215,000	76,588	291,588
2032	220,000	71,150	291,150
2033	230,000	65,381	295,381
2034	235,000	59,131	294,131
2035	245,000	52,531	297,531
2036	255,000	45,656	300,656
2037	265,000	38,175	303,175
2038	270,000	30,150	300,150
2039	280,000	21,900	301,900
2040	290,000	13,350	303,350
2041	300,000	4,500	304,500
	<u>\$ 4,725,000</u>	<u>\$ 1,589,612</u>	<u>\$ 6,314,612</u>

See accompanying auditors' report.

*Sienna Plantation Municipal Utility District No. 12*  
*TSI-5. Long-Term Debt Service Requirements*  
*All Bonded Debt Series--by Years*  
*July 31, 2019*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 1,735,000	\$ 1,802,218	\$ 3,537,218
2021	1,790,000	1,756,163	3,546,163
2022	1,855,000	1,709,665	3,564,665
2023	1,915,000	1,665,073	3,580,073
2024	1,985,000	1,616,562	3,601,562
2025	2,055,000	1,562,358	3,617,358
2026	2,130,000	1,502,750	3,632,750
2027	2,205,000	1,438,645	3,643,645
2028	2,290,000	1,369,451	3,659,451
2029	2,380,000	1,294,907	3,674,907
2030	2,465,000	1,216,120	3,681,120
2031	2,565,000	1,131,239	3,696,239
2032	2,665,000	1,039,522	3,704,522
2033	2,780,000	942,522	3,722,522
2034	2,960,000	839,332	3,799,332
2035	3,090,000	729,134	3,819,134
2036	3,230,000	612,656	3,842,656
2037	3,370,000	489,238	3,859,238
2038	3,515,000	358,663	3,873,663
2039	3,675,000	224,025	3,899,025
2040	3,835,000	86,138	3,921,138
2041	540,000	8,100	548,100
	<u>\$ 55,030,000</u>	<u>\$ 23,394,480</u>	<u>\$ 78,424,480</u>

See accompanying auditors' report.

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*Sienna Plantation Municipal Utility District No. 12*  
*TSI-6. Change in Long-Term Bonded Debt*  
*July 31, 2019*

	Bond Issue				
	Series 2008	Series 2009	Series 2013	Series 2013A	Series 2014
Interest rate	4.90% - 5.15%	5.00% - 5.20%	2.00% - 4.00%	3.50% - 5.00%	2.00% - 4.00%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/2010 to 9/1/2018	9/1/2011 to 9/1/2018	9/1/2013 to 9/1/2037	9/1/2014 to 9/1/2037	9/1/2015 to 9/1/2038
Beginning bonds outstanding	\$ 140,000	\$ 105,000	\$ 1,875,000	\$ 3,320,000	\$ 10,115,000
Bonds retired	(140,000)	(105,000)	(60,000)	(105,000)	(285,000)
Ending bonds outstanding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,815,000</u>	<u>\$ 3,215,000</u>	<u>\$ 9,830,000</u>
Interest paid during fiscal year	<u>\$ 3,605</u>	<u>\$ 2,730</u>	<u>\$ 69,530</u>	<u>\$ 147,931</u>	<u>\$ 353,756</u>
Paying agent's name and city					
Series 2008 and 2009	<u>Wells Fargo Bank N.A., Dallas, Texas</u>				
All other series	<u>Amegy Bank of Texas, N.A., Houston, Texas</u>				
Bond Authority:	Water, Sewer and Drainage Bonds	Park and Recreational Bonds	Refunding Bonds		
Amount Authorized by Voters	\$ 88,000,000	\$ 7,500,000	\$ 20,000,000		
Amount Issued	(55,910,000)	(5,000,000)	(915,000)		
Remaining To Be Issued	<u>\$ 32,090,000</u>	<u>\$ 2,500,000</u>	<u>\$ 19,085,000</u>		

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 July 31, 2019: \$ 5,419,938

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 3,564,749

See accompanying auditors' report.

Bond Issue				
Series 2015 Refunding	Series 2015	Series 2016	Series 2016A Park	Totals
2.00% - 4.00%	2.00% - 4.50%	2.00% - 3.00%	2.00% - 3.00%	
9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1	
9/1/2015 to 9/1/2032	9/1/2016 to 9/1/2039	9/1/2017 to 9/1/2040	9/1/2017 to 9/1/2040	
\$ 8,215,000	\$ 24,170,000	\$ 3,900,000	\$ 4,865,000	\$ 56,705,000
(230,000)	(495,000)	(115,000)	(140,000)	(1,675,000)
<u>\$ 7,985,000</u>	<u>\$ 23,675,000</u>	<u>\$ 3,785,000</u>	<u>\$ 4,725,000</u>	<u>\$ 55,030,000</u>
<u>\$ 242,125</u>	<u>\$ 811,288</u>	<u>\$ 96,606</u>	<u>\$ 120,575</u>	<u>\$ 1,848,146</u>

*Sienna Plantation Municipal Utility District No. 12*

*TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund*

*For the Last Five Fiscal Years*

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Water service	\$ 620,951	\$ 613,691	\$ 582,170	\$ 549,775	\$ 427,847
Sewer service	668,624	630,412	590,879	542,866	473,218
Fire service	311,543	284,916	264,242	248,333	118,917
Property taxes	1,144,324	1,505,583	1,224,209	1,347,252	381,741
Penalties and interest	21,847	19,644	18,083	17,189	17,033
Tap connection and inspection	221,587	234,563	157,376	191,766	295,549
Surface water	563,116	591,526	582,995	527,109	402,267
Miscellaneous	29,664	12,962	29,015	13,947	16,192
Investment earnings	98,254	56,801	14,861	4,328	796
Total Revenues	3,679,910	3,950,098	3,463,830	3,442,565	2,133,560
Expenditures					
Current service operations					
Professional fees	130,142	127,148	117,078	153,689	110,125
Contracted services	422,869	384,868	317,270	286,813	435,950
Repairs and maintenance	241,993	210,155	109,522	259,674	376,210
Utilities	5,524	3,003	1,743	2,063	2,030
Surface water	569,767	617,003	582,995	527,109	461,474
Administrative	59,296	75,477	63,491	55,567	58,852
Other	35,395	21,333	21,099	12,238	26,536
Capital outlay		801,256			
Intergovernmental - Master District					
Monthly connection charges	391,306	414,506	389,818	343,675	354,274
Lease contributions	105,030	113,332	103,149	116,376	74,078
Renewal and replacement fund	59,569	69,816	56,310	63,360	41,785
Contractual obligations	199,536		2,028	410,946	235,000
Fire protection	317,469	286,810	264,472	258,123	20,232
Elimination of contingency reserve				8,619	
Total Expenditures	2,537,896	3,124,707	2,028,975	2,498,252	2,196,546
Revenues Over/(Under) Expenditures	\$ 1,142,014	\$ 825,391	\$ 1,434,855	\$ 944,313	\$ (62,986)

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
17%	16%	17%	17%	19%
18%	16%	17%	16%	22%
8%	7%	8%	7%	6%
30%	39%	34%	39%	18%
1%	*	1%	*	1%
6%	6%	5%	6%	14%
15%	15%	17%	15%	19%
1%	*	1%	*	1%
3%	1%	*	*	*
99%	100%	100%	100%	100%
4%	3%	3%	4%	5%
11%	10%	9%	8%	20%
7%	5%	3%	8%	18%
*	*	*	*	*
15%	16%	17%	15%	22%
2%	2%	2%	2%	3%
1%	1%	1%	*	1%
	20%			
11%	10%	11%	10%	17%
3%	3%	3%	3%	3%
2%	2%	2%	2%	2%
5%		*	12%	11%
9%	7%	8%	7%	1%
			*	
70%	79%	59%	71%	103%
29%	21%	41%	29%	(3%)



*Sienna Plantation Municipal Utility District No. 12*

*TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund  
For the Last Five Fiscal Years*

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$ 3,764,966	\$ 3,738,439	\$ 3,781,333	\$ 2,952,576	\$ 2,378,278
Penalties and interest	30,562	34,690	34,472	18,457	15,044
Accrued interest on bonds sold					18,165
Miscellaneous			75		
Investment earnings	98,814	59,998	22,637	7,924	2,474
Total Revenues	3,894,342	3,833,127	3,838,517	2,978,957	2,413,961
Expenditures					
Tax collection services	77,968	69,955	65,209	52,328	36,905
Other	32	1,076			
Debt service					
Principal	1,675,000	1,615,000	1,225,000	785,000	410,000
Interest and fees	1,851,146	1,903,633	1,840,078	1,197,512	1,003,099
Debt issuance costs					242,902
Payment to refunded bond escrow agent					36,000
Total Expenditures	3,604,146	3,589,664	3,130,287	2,034,840	1,728,906
Revenues Over Expenditures	\$ 290,196	\$ 243,463	\$ 708,230	\$ 944,117	\$ 685,055
Total Active Retail Water Connections	1,438	1,337	1,193	1,139	1,073
Total Active Retail Wastewater Connections	1,305	1,208	1,069	1,017	957

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2019	2018	2017	2016	2015
96%	97%	98%	99%	98%
1%	1%	1%	1%	1%
				1%
		*		
3%	2%	1%	*	*
100%	100%	100%	100%	100%
2%	2%	2%	2%	2%
*	*			
43%	42%	32%	26%	17%
48%	50%	48%	40%	42%
				10%
				1%
93%	94%	82%	68%	72%
7%	6%	18%	32%	28%

**Sienna Plantation Municipal Utility District No. 12**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended July 31, 2019**

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): June 7, 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:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members</b>				
Stephen E. Jackson	5/18 to 5/22	\$ 1,500	56	President
J. Neal Vogan	5/16 to 5/20	4,200	1,404	Vice President
Melissa Marroquin	5/16 to 5/20	1,350	152	Assistant Vice President
Peter Slot	5/16 to 5/20	3,150	2,960	Secretary
Larry Demerson	5/18 to 5/22	3,600	346	Assistant Secretary
<b>Consultants</b>				
Allen Boone Humphries Robinson LLP	9/03	Amounts Paid		Attorney
General legal fees		\$ 103,215		
Bond counsel		50,229		
Si Environmental, LLC	7/12	470,507		Operator
McLennan & Associates	6/03	30,840		Bookkeeper
Tax Tech, Inc.	6/03	26,859		Tax Collector
Fort Bend Central Appraisal District	Legislation	37,750		Property Valuation
Perdue Brandon Fielder Collins & Mott, LLP	3/05	9,683		Delinquent Tax Attorney
LJA Engineering and Surveying, Inc.	6/03	17,498		Engineer
McGrath & Co., PLLC	7/11			Auditor
Audit fees		14,500		
Developer reimbursement fees		11,250		
Robert W. Baird & Co., Inc.	1/15	50,200		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

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

December 5, 2019

Board of Directors  
Sienna Plantation Municipal Utility District No. 12  
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. 12 (the "District"), as of and for the year ended July 31, 2019, 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

**APPENDIX C**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, 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 Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

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 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 AGM 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

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

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
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