

OFFICIAL STATEMENT DATED SEPTEMBER 21, 2020

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 TAXABLE INCOME OF INDIVIDUALS. SEE "TAX MATTERS" FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

The Bonds are NOT "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE – Book-Entry-Only

S&P Global Ratings (BAM Insured)....."AA"

\$6,000,000
CONTRACT REVENUE BONDS
SERIES 2020

\$6,000,000
CONTRACT REVENUE ROAD BONDS
SERIES 2020

SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 5
(A Political Subdivision of the State of Texas, located within Fort Bend County)

Dated: October 1, 2020

Due: November 1, as shown on the inside cover

The \$6,000,000 Contract Revenue Bonds, Series 2020 (the "System Bonds") and the \$6,000,000 Contract Revenue Road Bonds, Series 2020 (the "Road Bonds," and together with the System Bonds, the "Bonds") are special obligations solely of Sienna Plantation Municipal Utility District No. 5 (the "Master District") payable solely from and to the extent of payments contractually required of the municipal utility districts (the "Participants" and each a "Participant") within the Service Area (herein defined) from proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by each Participant or from other revenues available to such Participant (the "Contract Payment"). Payment of Contract Payments by Participants and use of such proceeds by the Master District to pay debt service on the Bonds is governed by the Contract for Financing, Operation, and Maintenance of Regional Facilities (the "Master District Contract") as described more fully herein under "MASTER DISTRICT CONTRACT." The Bonds are special obligations of the Master District payable solely from the Contract Payments and are not obligations of the State of Texas ("Texas"), the City of Missouri City, Texas (the "City"), Fort Bend County, Texas (the "County"), any of the Participants (except the Master District), or any entity other than the Master District.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrars, initially, Regions Bank, an Alabama state banking corporation, Houston, Texas, (the "Paying Agent/Registrar"). Interest accrues from October 1, 2020, and is payable May 1, 2021, and on each November 1 and May 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/Registrar to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date. The Bonds are fully registered bonds in principal denominations of \$5,000 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/Registrar 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."

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

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



The System Bonds constitute the fourth series of contract revenue bonds issued by the Master District from the \$441,800,000 principal amount of contract revenue bonds approved by voters of the Master District for the purpose of constructing or acquiring regional water, wastewater, and drainage facilities to serve the Service Area (the "Master District System Facilities"). The Road Bonds constitute the third series of contract revenue bonds issued by the Master District from the \$249,500,000 principal amount of contract revenue bonds approved by voters of the Master District for the purpose of constructing or acquiring a regional road system to serve the Service Area (the "Master District Road Facilities"). The Bonds, when issued, will constitute valid and binding obligations of the Master District and will be payable from Contract Payments, as further described herein. The Bonds are obligations solely of the Master District and are not obligations of Texas, the County, the City, any of the Participants (except the Master District), or any entity other than the Master District. Investment in the Bonds is subject to special RISK FACTORS as described herein. See "RISK FACTORS."

The Bonds are offered subject to prior sale, when, as, and if issued by the Master District and accepted by the Initial Purchaser (herein defined), subject to among other things to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Master District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about October 20, 2020.

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

\$6,000,000 Contract Revenue Bonds, Series 2020

\$3,605,000 Serial Bonds

Maturity November 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 82621V (b)	Maturity November 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 82621V (b)
2022	\$ 180,000	4.500%	0.450%	FC7	–	–	–	–	–
2023	185,000	4.500%	0.550%	FD5	2035 (c)	\$ 255,000	2.000%	2.150%	FR4
2024	190,000	4.500%	0.700%	FE3	2036 (c)	265,000	2.000%	2.200%	FS2
2025	195,000	4.500%	0.900%	FF0	2037 (c)	270,000	2.000%	2.250%	FT0
–	–	–	–	–	2038 (c)	280,000	2.125%	2.300%	FU7
2029 (c)	215,000	4.500%	1.100%	FK9	2039 (c)	285,000	2.250%	2.350%	FV5
2030 (c)	225,000	4.500%	1.200%	FL7	2040 (c)	295,000	2.250%	2.400%	FW3
2031 (c)	230,000	3.000%	1.700%	FM5	2041 (c)	300,000	2.250%	2.450%	FX1
2032 (c)	235,000	2.000%	2.050%	FN3					

\$2,395,000 Term Bonds

\$615,000 Term Bonds Due November 1, 2028 (c)(d), Interest Rate: 4.500% (Price: \$117.129) (a), CUSIP No. 82621V FJ2 (b)
 \$490,000 Term Bonds Due November 1, 2034 (c)(d), Interest Rate: 2.000% (Price: \$98.789) (a), CUSIP No. 82621V FQ6 (b)
 \$630,000 Term Bonds Due November 1, 2043 (c)(d), Interest Rate: 2.375% (Price: \$97.821) (a), CUSIP No. 82621V FZ6 (b)
 \$660,000 Term Bonds Due November 1, 2045 (c)(d), Interest Rate: 2.375% (Price: \$96.776) (a), CUSIP No. 82621V GB8 (b)

\$6,000,000 Contract Revenue Road Bonds, Series 2020

\$3,510,000 Serial Bonds

Maturity November 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 82621V (b)	Maturity November 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 82621V (b)
2022	\$ 200,000	4.500%	0.450%	GC6	–	–	–	–	–
2023	200,000	4.500%	0.550%	GD4	2035 (c)	\$ 235,000	2.000%	2.150%	GR3
2024	210,000	4.500%	0.700%	GE2	2036 (c)	235,000	2.000%	2.200%	GS1
2025	220,000	4.500%	0.900%	GF9	2037 (c)	235,000	2.000%	2.250%	GT9
–	–	–	–	–	2038 (c)	235,000	2.125%	2.300%	GU6
2029 (c)	235,000	4.000%	1.200%	GK8	2039 (c)	235,000	2.250%	2.350%	GV4
2030 (c)	235,000	3.000%	1.600%	GL6	2040 (c)	235,000	2.250%	2.400%	GW2
2031 (c)	240,000	2.000%	2.000%	GM4	2041 (c)	320,000	2.250%	2.450%	GX0
2032 (c)	240,000	2.000%	2.050%	GN2					

\$2,490,000 Term Bonds

\$690,000 Term Bonds Due November 1, 2028 (c)(d), Interest Rate: 4.500% (Price: \$117.129) (a), CUSIP No. 82621V GJ1 (b)
 \$470,000 Term Bonds Due November 1, 2034 (c)(d), Interest Rate: 2.000% (Price: \$98.789) (a), CUSIP No. 82621V GQ5 (b)
 \$650,000 Term Bonds Due November 1, 2043 (c)(d), Interest Rate: 2.375% (Price: \$97.821) (a), CUSIP No. 82621V GZ5 (b)
 \$680,000 Term Bonds Due November 1, 2045 (c)(d), Interest Rate: 2.375% (Price: \$96.776) (a), CUSIP No. 82621V HB7 (b)

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from October 1, 2020, to the date of delivery of the Bonds will be added to the price.
- (b) CUSIP numbers have been assigned to this issue by the CUSIP Global Services, managed by S&P Global Market Intelligence LLC on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on November 1, 2026, and thereafter, shall be subject to redemption and payment at the option of the Master District, in whole or from time to time, in part, on November 1, 2025, 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 – *Optional Redemption*."
- (d) Subject to mandatory redemption by lot or other customary method of random selection on November 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."

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 Master District or the Initial Purchaser.

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 Master District or other matters described herein since the date hereof. The Master District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the Master 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 Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT – Updating of Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the System Bonds, the Master District has accepted the bid resulting in the lowest net effective interest rate to the Master District, which was tendered by SAMCO Capital Markets, Inc. (the "System Bonds Initial Purchaser") to purchase the System Bonds bearing the interest rates shown under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" at a price of 97.000000% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 2.731127%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

After requesting competitive bids for the Road Bonds, the Master District has accepted the bid resulting in the lowest net effective interest rate to the Master District, which was tendered by SAMCO Capital Markets, Inc. (the "Road Bonds Initial Purchaser," and together with the System Bonds Initial Purchaser, the "Initial Purchaser") to purchase the Road Bonds bearing the interest rates shown under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" at a price of 97.041061% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 2.692395%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

Prices and Marketability

The Master 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 Master District of a certificate executed and delivered by the Initial Purchaser 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 bond house, broker, dealer or similar person or organization acting in the capacity of underwriter or wholesaler. Otherwise, the Master District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser 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 INITIAL PURCHASER 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 United States Security 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 Master 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 in such other jurisdiction.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, BAM will issue separate Municipal Bond Insurance Policies for the Bonds (each a "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as "APPENDIX D – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2020, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$488.7 million, \$143.6 million, and \$345.1 million, respectively.

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

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

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

Additional Information Available from BAM

Credit Insights Videos: For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's

website at buildamerica.com/creditsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

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

RATINGS

The Bonds are expected to receive an insured credit rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance policy by BAM at the time of delivery of the Bonds. An explanation of the significance of a rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such company, and the Master District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if, in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect of the market price of the Bonds.

The Master District is not aware of any ratings assigned the Bonds other than the insured credit rating of S&P.

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OFFICIAL STATEMENT SUMMARY

The following 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 Issuer	Sienna Plantation Municipal Utility District No. 5 (the “Master District”), a political subdivision of the State of Texas (“Texas”), located in Fort Bend County, Texas (the “County”). See “THE MASTER DISTRICT.”
The Bonds	The \$6,000,000 Contract Revenue Bonds, Series 2020 (the “System Bonds”) and the \$6,000,000 Contract Revenue Road Bonds, Series 2020 (the “Road Bonds,” and together with the System Bonds, the “Bonds”), are dated October 1, 2020. Interest accrues from October 1, 2020, at the rates set forth on the inside cover of this Official Statement, and is payable May 1, 2021, and each November 1 and May 1 thereafter until the earlier of stated maturity or redemption. The Bonds mature on November 1, in each year 2022 through 2045, both inclusive, in the principal amounts set forth on the cover of this Official Statement. See “THE BONDS.”
Redemption of the Bonds	<p>The Bonds maturing on or after November 1, 2026, are subject to redemption, in whole or from time to time, in part, on November 1, 2025, or on any date thereafter, at the par value thereof plus accrued interest thereon to the date fixed for redemption. See “THE BONDS – Redemption of the Bonds – <i>Optional Redemption.</i>”</p> <p>The Bonds mature serially on November 1, in each year 2022 through 2025, both inclusive, 2029 through 2032, both inclusive, and 2035 through 2041, both inclusive. The Bonds maturing on November 1 in the years 2028, 2034, 2043, and 2045 are term bonds that are also subject to mandatory redemption provisions set out herein under “THE BONDS – Redemption of the Bonds – <i>Mandatory Redemption.</i>”</p>
Book-Entry-Only System	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System (herein defined). Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined). Principal of and interest on the Bonds will be payable by the office of the paying agent/registrar, initially Regions Bank, an Alabama state banking corporation, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See “THE BONDS – Book-Entry-Only System.”
Source of Payment	Principal of and interest on the Bonds are payable from and secured by payments required of the Participants (herein defined) within the Service Area (herein defined) from proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by each Participant (herein defined) or from other revenues available to such Participant. The Master District has established a debt service fund to pay the principal of and interest on the

Contract Revenue System Bonds (herein defined), such as the System Bonds (the "Contract Revenue System Debt Service Fund"). The Master District has also established a debt service fund to pay the principal of and interest on the Contract Revenue Road Bonds (herein defined), such as the Road Bonds (the "Contract Revenue Road Debt Service Fund"). Contract Payments by Participants and use of such proceeds by the Master District to pay debt service on the Bonds is governed by the Contract for Financing, Operation, and Maintenance of Regional Facilities (the "Master District Contract") which has been entered into by the Master District and the Participants. By execution of the Master District Contract, each Participant has agreed to pay a pro rata share of the debt service on the Contract Revenue Bonds (herein defined), including the Bonds, which share is based upon the appraised valuation subject to taxation plus amounts equal to any optional exemption or special appraisal value granted or adopted by a Participant, and any optional exemption or special value claimed by a landowner due to use for agricultural, open space, timberland, or other similar uses (the "Gross Certified Assessed Valuation") of each Participant as a percentage of the Gross Certified Assessed Valuation of all Participants, calculated annually. Each Participant is contractually obligated to make the Contract Payments from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on taxable property within its boundaries (the "Contract Tax"), from revenues derived from the operations of such Participant's water distribution and wastewater collection systems, or from any other lawful sources of such Participant's income. No Participant is liable for the payments owed by any other Participant; however, failure of any Participant to make its Contract Payment, as required by the Master District Contract, could result in an increase in the Contract Payment amount paid by each of the Participants during the time that such Participant's payment is delinquent, as the Participants would have to replenish coverage in the respective Master District debt service fund. The Bonds are obligations of the Master District and are not obligations of Texas, the County, the City of Missouri City, Texas (the "City"), any of the Participants (except the Master District), or any entity other than the Master District. See "THE BONDS – Source of Payment," "THE BONDS – Unconditional Obligation to Pay," and "MASTER DISTRICT CONTRACT."

Use of Proceeds Proceeds from the sale of the System Bonds will be used to reimburse the Developer (herein defined) for the costs associated with the construction of the Master District System Facilities (herein defined) shown herein under "THE BONDS – Use and Distribution of Bond Proceeds – *The System Bonds*." In addition, proceeds from the sale of the System Bonds will be used to pay developer interest, twelve (12) months of capitalized interest, operating advances, and other certain costs associated with the issuance of the System Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds – *The System Bonds*."

Proceeds from the sale of the Road Bonds will be used to reimburse the Developer for the costs associated with the construction of the Master District Road Facilities (herein defined) shown herein under "THE BONDS – Use and Distribution of Bond Proceeds – *The Road Bonds*." In addition, proceeds from the sale of the Road Bonds will be used to pay developer interest, twelve (12) months of

capitalized interest, and other certain costs associated with the issuance of the Road Bonds. See “THE BONDS – Use and Distribution of Bond Proceeds – *The Road Bonds*.”

- Outstanding Bonds The Master District has previously issued the following Contract Revenue Bonds: \$1,100,000 Contract Revenue Road Bonds, Series 2015; \$2,170,000 Contract Revenue Bonds, Series 2016; \$6,645,000 Contract Revenue Bonds, Series 2017; \$8,415,000 Contract Revenue Road Bonds, Series 2019; and \$7,050,000 Contract Revenue Bonds, Series 2019. At the delivery of the Bonds, \$24,855,000 principal amount of such previously issued debt will remain outstanding (the “Outstanding Bonds”). See “THE BONDS – The Outstanding Bonds” and “MASTER DISTRICT DEBT.”
- NOT Qualified Tax-Exempt Obligations The Bonds are NOT “qualified tax-exempt obligations” for financial institutions.
- Municipal Bond Insurance Build America Mutual Assurance Company. See “MUNICIPAL BOND INSURANCE.”
- Ratings..... S&P Global Ratings (BAM Insured): “AA.” See “RATINGS.”
- Payment Record..... The Master District has never defaulted in payment of its bonded indebtedness. See “THE Bonds – Payment Record” and “THE BONDS – Source of Payment.”
- Contract Revenue Bonds..... The Master District is issuing the System Bonds for the purpose of constructing or acquiring regional water, wastewater, and drainage facilities to serve the Service Area (the “Master District System Facilities”) and the Road Bonds for the purpose of constructing or acquiring a regional road system to serve the Service Area (the “Master District Road Facilities”), and the Master District is expected to issue, in the future additional contract revenue bonds for the Master District System Facilities and the Master District Road Facilities. The System Bonds and any contract revenue bonds issued for the purpose of constructing or acquiring of the Master District System Facilities are referred to herein as the “Contract Revenue System Bonds” and the Road Bonds and any contract revenue bonds issued for the purpose of constructing or acquiring the Master District Road Facilities are referred to herein as “Contract Revenue Road Bonds.” The Master District is also expected to issue, in the future, contract revenue bonds for the purpose of constructing or acquiring the Master District Fire Facilities (herein defined) (the “Contract Revenue Fire Bonds”). The Contract Revenue System Bonds, the Contract Revenue Road Bonds, and the Contract Revenue Fire Bonds are collectively referred to herein as the “Contract Revenue Bonds.” The Participants, with the exception of SPMUD4 (herein defined) and SPMUD6 (herein defined), do not currently levy a tax, so they will rely on developer advances for the 2020 tax year.
- In addition, the Master District Contract authorized \$218,300,000 principal amount of contract revenue bonds for the purpose of constructing or acquiring the Master District Park Facilities (herein defined). The Master District does not anticipate issuing these bonds. See “RISK FACTORS – General,” “MASTER DISTRICT DEBT – Tax Rates of the Participants,” and “THE BONDS – Authority for Issuance.”
- Park Construction Charges In addition to the improvements to be made through the issuance of the Outstanding Bonds, the Bonds, and any future Contract

Revenue Bonds, and pursuant to the Master District Contract, the Master District owns or will own, construct, and/or acquire regional park and recreational facilities to serve the Service Area (the "Master District Park Facilities"). The Master District intends to finance the capital costs of the Master District Park Facilities from payments made by each Participant of its pro rata share of the Master District's then estimated capital costs of the Master District Park Facilities (the "Park Construction Charges"). The Park Construction Charges will be computed from time to time on the basis of the then estimated total capital costs of providing the Master District Park Facilities minus the payments which have been previously received from the Participants as Park Construction Charges, and dividing the result by the number of projected total water and sewer connections to be constructed within the Service Area. Although the Master District Contract authorizes the Master District to issue contract revenue bonds for the purpose of acquiring or constructing the Master District Park Facilities, it is currently anticipated that the Park Construction Charges will be paid by the Participants through the issuance of ad valorem tax bonds issued by the individual Participants. In no event shall the total Park Construction Charges paid by any Participant under the Master District Contract exceed one percent (1%) of that Participant's certified appraised valuation.

All Park Construction Charges received by the Master District shall be deposited in to a separate fund for the benefit of the Participants (the "Park Construction Fund") and shall be used solely for the purpose of paying the capital costs of the Master District Park Facilities pursuant to the Master District Contract. See "THE BONDS – Park Construction Charges."

Authority for Issuance..... The System Bonds constitute the fourth series of contract revenue bonds issued by the Master District from the \$441,800,000 principal amount of contract revenue bonds approved by voters of the Master District for the purpose of constructing or acquiring the Master District System Facilities. The Road Bonds constitute the third series of contract revenue bonds issued by the Master District from the \$249,500,000 principal amount of contract revenue bonds approved by voters of the Master District for the purpose of constructing or acquiring the Master District Road Facilities. Any additional Contract Revenue Bonds issued by the Master District will be on parity with the Bonds. Additionally, the Master District Contract authorized the issuance of \$32,800,000 principal amount of contract revenue bonds for the purpose of constructing or acquiring the Master District Fire Facilities.

After the issuance of the Bonds, \$419,935,000 principal amount of Contract Revenue System Bonds, \$233,985,000 principal amount of Contract Revenue Road Bonds, and \$32,800,000 principal amount of Contract Revenue Fire Bonds will remain authorized but unissued. The Contract Revenue Bonds are secured by the collection of the Contract Payments through the levy of the Contract Tax.

In addition, the Master District Contract authorized \$218,300,000 principal amount of contract revenue bonds for the purpose of constructing or acquiring the Master District Park Facilities. The Master District does not anticipate issuing these bonds.

The System Bonds are issued by the Master District pursuant to the Master District Contract, the terms and conditions of the bond resolution (the "System Bond Resolution") adopted by the Board of Directors of the Master District (the "Board") on the date of sale of the Bonds, and pursuant to Chapters 49 and 54 of the Texas Water Code, an order of the Texas Commission on Environmental Quality (the "TCEQ"), an election held within the Master District and passed by a majority of the participating voters, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas.

The Road Bonds are issued by the Master District pursuant to the Master District Contract, the terms and conditions of the bond resolution (the "Road Bond Resolution") adopted by the Board on the date of sale of the Bonds, and pursuant to Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, Chapter 8321 of the Texas Special District Local Laws Code, an election held within the Master District and passed by a majority of the participating voters, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas. See "THE BONDS - Authority for Issuance," "THE BONDS - Issuance of Additional Debt," "MASTER DISTRICT CONTRACT," and "RISK FACTORS - Future Debt."

- Bond Counsel Allen Boone Humphries Robinson LLP, Houston, Texas.
- Disclosure Counsel Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
- Financial Advisor..... Robert W. Baird & Co. Incorporated, Houston, Texas.
- Master District Engineer Costello, Inc., Houston, Texas.
- Paying Agent/Registrar Regions Bank, Houston, Texas.

THE MASTER DISTRICT

Description..... The Master District is a political subdivision of Texas, created by an order of the TCEQ dated March 10, 1997, and operates pursuant to chapters 49 and 54 of the Texas Water Code, as amended. Road powers were added in 2009 to the Master District's powers by special legislation codified as Chapter 8321 Texas Special District Local Laws Code. The Service Area is located within the extra-territorial jurisdiction of the City and lies wholly within the County. The Service Area is located in the northeast portion of the County, approximately 23 miles from the central downtown business district of the City of Houston, Texas. The Master District also serves as a provider of regional water, wastewater, drainage, firefighting, road, and park and recreational facilities to the approximate 3,424 acre service area (the "Service Area") comprised of the Master District, Sienna Plantation Municipal Utility District No. 4 ("SPMUD4"), Sienna Plantation Municipal Utility District No. 6 ("SPMUD6"), and Sienna Plantation Municipal Utility District No. 7 ("SPMUD7"). The Master District (in its capacity as a Participant), SPMUD4, SPMUD6, and SPMUD7 have entered into the Master District Contract with the Master District and are referred to herein collectively as the "Participants" and each as a "Participant." See "MASTER DISTRICT CONTRACT" and "APPENDIX C - MASTER DISTRICT CONTRACT."

Status of Development..... To date, development within the Service Area has occurred within the boundaries of SPMUD4 and SPMUD6. Within the Service Area, approximately 855.3 acres (1,761 lots) have been developed into

the single-family subdivision of Village of Sawmill Lake Sections 1-6, 6B, 7, 7B, 7C, 8, 9, 9B, 10-12, 13A, 13B, 14, 15A, 15B, 16, 17A, 17B&C, 18, and 20-25 within SPMUD4 and approximately 97.2 acres (303 lots) have been developed into the single-family subdivision of Village of Sienna Oaks Sections 14, 27, 31, 33A, and 40A within SPMUD6. As of August 1, 2020, 1,601 homes were complete (1,524 occupied, 67 unoccupied, and 10 model homes), 169 homes were under construction, and 294 lots were developed and vacant. Additionally, approximately 53.9 acres (165 lots) are currently under development as the single-family subdivision of Village of Sienna Oaks Sections 28, 34A, and 35A within SPMUD6.

In addition, a daycare, six (6) grade schools, a CVS Pharmacy drugstore, and a church have been constructed within the Service Area. See “THE MASTER DISTRICT – Status of Development Within the Service Area.”

Description of the Developer The primary developer of land in the Mater District is Toll-GTIS Property Owner, LLC (the “Developer”). Johnson SS Management LLC, an affiliate of Johnson Development Corporation (“JDC”), has been hired as fee developer for the Developer. No landowner is obligated to pay any principal or interest on the Bonds. See “DESCRIPTION OF THE DEVELOPER.”

Homebuilders Within the Service Area..... Homebuilders active within the Service Area include Toll Brothers, Westin Homes, Meritage Homes, Jamestown Estates Homes, Perry Homes, Chesmar Homes, Newmark Homes, Gracepoint Homes, M/I Homes, Lennar Homes, MHI Homes, Trendmaker Homes, David Weekley Homes, and Shea Homes. Homebuilding began in SPMUD4 in early 2015 and in SPMUD6 in early 2019. The homes in SPMUD4 and SPMUD6 range in size from approximately 1,600 square feet to over 6,500 square feet. Homes in SPMUD4 and SPMUD6 are being sold in the price range of approximately \$260,000 to over \$980,000. See “HOMEBUILDERS ACTIVE WITHIN THE SERVICE AREA.”

Sienna In 2013, the Developer purchased approximately 3,710 acres (of which 3,424 acres lies within the Service Area) which is located adjacent to and originally part of an approximate 10,230 acre master-planned community known as “Sienna” (formerly known as Sienna Plantation). The Service Area (which includes the Master District, SPMUD4, SPMUD6, and SPMUD7) is also being marketed as part of Sienna. An affiliate of JDC has been hired as fee developer for the Developer. **Only the payments by Participants within the Service Area (the Master District, SPMUD4, SPMUD6, and SPMUD7) are pledged as security for the Bonds.** See “THE MASTER DISTRICT – The Service Area.”

Master District Facilities The Master District, in its capacity as the provider of the Master District System Facilities, the Master District Road Facilities, the Master District Fire Facilities, and the Master District Park Facilities (collectively referred to herein as the “Master District Facilities”), will construct the Master District Facilities and provide services from such facilities. See “RISK FACTORS – Maximum Impact on Contract Tax Rate” and “MASTER DISTRICT FACILITIES.”

Flood Protection Facilities and
 Overlapping Districts and Taxes Sienna Plantation Levee Improvement District of Fort Bend County, Texas (“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. All of the approximate 3,424 total acres that make up the Service Area are located within SPLID. SPLID intends to finance facilities to accomplish flood protection and accommodate storm water drainage and regional park facilities within SPLID, including the Service Area. SPLID currently levies a tax on property located within its boundaries, including the Service Area, which is in addition to any tax levied by the Master District. For the 2020 tax year, SPLID anticipates to levy a total tax of \$0.450 per \$100 of assessed valuation. SPLID plans to issue \$37,900,000 principal amount of unlimited tax bonds in October 2020. At the delivery of the Bonds, SPLID will have \$120,535,000 principal amount of unlimited tax bonds outstanding (exclusive of the anticipated bond issue). See “TAX DATA – Estimated Overlapping Taxes,” “THE FLOOD PROTECTION SYSTEM,” and “RISK FACTORS – Possible Flooding Events”.

Development Agreement..... The Developer has entered into a Sienna Plantation Joint Development Agreement, dated February 19, 1996, with the City, as amended by the Eighth Amendment dated July 15, 2013 (the “Development Agreement”) pursuant to which the City and the landowners stipulate the City’s regulatory authority over the development of Sienna, establish certain restrictions and commitments related to the development of Sienna, set forth a formula for determining the timing of annexation of land within Sienna by the City, and identify and establish a master plan for the development of Sienna. The development of all land within Sienna is governed by the provisions of the Development Agreement. See “DESCRIPTION OF THE DEVELOPER – Development Agreement.”

Strategic Partnership Agreement The Master District and the other Participants have entered into an agreement with the City (the “Strategic Partnership Agreement”). The Strategic Partnership Agreement provides, among other things, the terms under which the City can annex or dissolve the Master District. The City may also maintain the Master District for limited purposes, such as payment of the Contract Tax. Once the Master District is dissolved the Bonds become obligations of the City. See “THE PARTICIPANTS – Annexation – Annexation by the City of Missouri City.”

Master District Name Change The Master District has filed an application with the TCEQ to change its name to “Sienna Municipal Utility District No. 5.” The TCEQ is currently reviewing the application, and the Master District anticipates receiving approval from the TCEQ in 2020.

THE MASTER DISTRICT CONTRACT

Participants..... The Master District (in its capacity as a Participant), SPMUD4, SPMUD6, and SPMUD7 have entered into the Master District Contract as Participants. Each Participant is a municipal utility district organized and operating pursuant to Article XVI, Section 59 and Article III, Section 52 of the Constitution of Texas and Chapters 49 and 54, Texas Water Code, to provide water, wastewater, drainage, road, and park and recreation services to the area within their boundaries. In 2009, each of the Participants acquired road powers through special legislation, codified as Chapters 8320, 8321, 8322, and 8323, Texas Special District Local Laws Code. See “THE PARTICIPANTS.”

Operational Revenues..... In addition to obligating each Participant to pay its Contract Payments, the Master District Contract also obligates each Participant to pay monthly charges to the Master District for water and sewer services facilities. The monthly charges paid by each Participant to the Master District will be used to pay operations and maintenance expenses and to provide an operation and maintenance reserve equivalent to three months of operations and maintenance expenses. The Master District Contract provides that each Participant will establish, maintain and from time to time adjust its rates, fees and charges for use of its water distribution and wastewater collection services, or for the availability of such services, to the end that the gross revenues therefrom together with any taxes levied in support thereof and funds received from any other lawful source will be sufficient at all times to pay all operation and maintenance expenses of the Participant's water distribution and wastewater collection systems and its obligation to the Master District under the Master District Contract, including its obligation to pay its Contract Payment. See "MASTER DISTRICT CONTRACT."

SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 1

Sienna Plantation Municipal Utility

District No. 1 Sienna Plantation Municipal Utility District No. 1 ("SPMUD1") is the municipal utility district created to provide the water supply and wastewater treatment facilities for the adjacent developments of the Service Area. SPMUD1 and the Master District (on behalf of the Participants) have entered into a utility contract (the "Utility Contract") whereby the Master District will construct and finance the Master District Facilities (with the exception of an interim wastewater treatment plant) and convey them to SPMUD1 for ownership, operation and maintenance. Pursuant to the Utility Contract, the Master District will be responsible, subject to the terms of the Master District Contract, for all payments to SPMUD1 and its pro rata share of any bonds sold by SPMUD1. In May 2018, SPMUD1 issued \$25,010,000 principal amount of contract revenue bonds through the Texas Water Development Board for the construction of permanent wastewater capacity to serve Sienna. The Participants, including the Mater District, pursuant to the Master District Contract, are responsible for their pro rata share of such bonds. Of the \$25,010,000 principal amount issued, \$12,695,000 principal amount is attributable to the Master District (on behalf of the Participants), of which the Master District is contractually obligated to pay its pro rata share of the annual debt service. At the delivery of the Bonds, \$12,695,000 principal amount of the Master District's obligation will remain outstanding. See "MASTER DISTRICT CONTRACTS WITH SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 1" and "MASTER DISTRICT FACILITIES."

RISK FACTORS

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

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

Contract Revenue Bonds of the Master District

2020 Gross Certified Assessed Valuation of the Participants..... (100% of the market valuation as of January 1, 2020)	\$ 609,504,885 (a)
Estimated Gross Assessed Valuation of the Participants as of August 1, 2020 (100% of the estimated market valuation as of August 1, 2020)	\$ 676,506,374 (b)
Direct Debt:	
The Outstanding Bonds (at the Delivery of the Bonds)	\$ 24,855,000
The System Bonds	6,000,000
The Road Bonds.....	<u>6,000,000</u>
Total Direct Debt.....	\$ <u>36,855,000</u>
Estimated Overlapping Debt.....	<u>120,407,466 (c)</u>
Total Direct and Estimated Overlapping Debt	\$ <u>157,262,466</u>

Direct Debt Ratios:

As a Percentage of the 2020 Gross Certified Assessed Valuation of the Participants (\$609,504,885).....	6.05 %
As a Percentage of the Estimated Gross Assessed Valuation of the Participants as of August 1, 2020 (\$676,506,374).....	5.45 %

Direct and Estimated Overlapping Debt Ratios:

As a Percentage of the 2020 Gross Certified Assessed Valuation of the Participants (\$609,504,885).....	25.80 %
As a Percentage of the Estimated Gross Assessed Valuation of the Participants as of August 1, 2020 (\$676,506,374).....	23.25 %

Master District Debt Service Funds Available as of the Issuance of the Bonds

Contract Revenue System Debt Service Fund Balance (as of August 3, 2020).....	\$ 902,265 (d)(f)(g)
Contract Revenue Road Debt Service Fund Balance (as of August 3, 2020)	\$ 663,905 (e)(f)(g)
Contract Revenue Road Capital Projects Fund Balance (as of August 3, 2020).....	\$ 333,887
General Fund Balance (as of August 3, 2020).....	\$ 627,501

- (a) Represents the assessed valuation of all taxable property located within all Participants as of January 1, 2020, as provided by the Fort Bend Central Appraisal District (the "Appraisal District"). Each Participant's tax roll is certified by the Fort Bend Central Appraisal Review Board (the "Appraisal Review Board"). Such amount includes \$11,128,856 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board. Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the value of all taxable property located within all Participants as of August 1, 2020, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2020, through August 1, 2020. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "MASTER DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
- (d) Neither Texas law nor the System Bond Resolution requires that the Master District maintain any particular sum in the Contract Revenue System Debt Service Fund. Money deposited into the Contract Revenue System Debt Service Fund can only be used to pay debt service on the Contract Revenue System Bonds, such as the System Bonds. In addition, accrued interest on the System Bonds will be deposited into the Contract Revenue System Debt Service Fund upon delivery of the System Bonds.
- (e) Neither Texas law nor the Road Bond Resolution requires that the Master District maintain any particular sum in the Contract Revenue Road Debt Service Fund. Money deposited into the Contract Revenue Road Debt Service Fund can only be used to pay debt service on the Contract Revenue Road Bonds, such as the Road Bonds. In addition, accrued interest on the Road Bonds will be deposited into the Contract Revenue Road Debt Service Fund upon delivery of the Road Bonds.
- (f) Funds deposited into the Contract Revenue System Debt Service Fund are not pledged to the Contract Revenue Road Bonds, such as the Road Bonds, nor are funds deposited into the Contract Revenue Road Debt Service Fund pledged to the Contract Revenue System Bonds, such as the System Bonds.
- (g) Each Participant is obligated to pay a pro rata share of debt service on the Contract Revenue Bonds by the dates specified by the Master District. See "THE BONDS – Contract Payments by the Participants," "THE BONDS – Unconditional Obligation to Pay," and "MASTER DISTRICT CONTRACT."

Debt Service Requirements on the Bonds

Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2020-2045).....	\$	1,997,550 (a)
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2041).....	\$	2,213,394 (a)
Contract Tax Rate per \$100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds and the Bonds (2020-2045) at 95% Tax Collections:		
Based Upon the 2020 Gross Certified Assessed Valuation of the Participants (\$609,504,885).....	\$	0.35
Based upon the Estimated Gross Assessed Valuation of the Participants as of August 1, 2020 (\$676,506,374).....	\$	0.32
Contract Tax Rate per \$100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2041) at 95% Tax Collections:		
Based Upon the 2020 Gross Certified Assessed Valuation of the Participants (\$609,504,885).....	\$	0.39
Based upon the Estimated Gross Assessed Valuation of the Participants as of August 1, 2020 (\$676,506,374).....	\$	0.35

(a) See "SELECTED FINANCIAL INFORMATION - Debt Service Requirement Schedule."

Assessed Valuations of the Participants

Participant	2020 Gross Certified Assessed Valuation (a)	Percent of Total	Estimated Gross Assessed Valuation as of August 1, 2020 (b)	Percent of Total
SPMUD4 (c)	\$ 560,618,013	91.98%	\$ 607,894,864	89.86%
SPMUD5	473,390	0.08%	473,390	0.07%
SPMUD6 (d)	33,416,257	5.48%	53,140,895	7.86%
SPMUD7	14,997,225	2.46%	14,997,225	2.22%
Total	\$ 609,504,885	100.00%	\$ 676,506,374	100.00%

(a) Represents the assessed valuation of all taxable property located within the Participant as of January 1, 2020, as provided by the Appraisal District. The Participant's tax roll is certified by the Appraisal Review Board. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the value of all taxable property located within the Participant as of August 1, 2020, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2020, through August 1, 2020. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."

(c) Such amount includes \$11,074,592 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board. Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board.

(d) Such amount includes \$54,264 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board. Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board.

Status of Development as of August 1, 2020

<u>District</u>	<u>Total Acreage</u>	<u>Completed Lots</u>	<u>Occupied Completed Homes</u>	<u>Unoccupied Completed Homes</u>	<u>Homes Under Construction</u>	<u>Vacant Developed Lots</u>	<u>Lots Under Development</u>
SPMUD4	1,063.54	1,761	1,497	66 (a)	120	78	0
SPMUD5	31.71	0	0	0	0	0	0
SPMUD6	1,300.35	303	27	11	49	216	165
SPMUD7	1,028.84	0	0	0	0	0	0
Total	3,424.44	2,064	1,524	77	169	294	165

Population of the Service Area: 5,334 (b)

(a) Includes 10 model homes.

(b) Based upon 3.5 average residents per occupied single-family home.

Selected Tax Data

<u>Participant</u>	<u>2020 Debt Service Tax Rate (a)</u>	<u>2020 Maintenance Tax Rate (a)</u>	<u>2020 Contract Tax Rate (a)</u>	<u>Total 2020 Tax Rate (a)</u>
SPMUD4	\$ 0.585	\$ 0.125	\$ 0.340	\$ 1.050
SPMUD5 (b)	0.000	0.000	0.000	0.000
SPMUD6	0.630	0.070	0.350	1.050
SPMUD7 (b)	0.000	0.000	0.000	0.000

(a) Anticipated tax rate for the 2020 tax year.

(b) The Participant has not levied a tax rate to date, but intends to levy a tax rate at a future date. Until such time as SPMUD5 and SPMUD7 levy a Contract Tax, Contract Payments will be paid from operating funds advanced by the Developer. See "RISK FACTORS - Dependence on Major Taxpayers and the Developer."

Debt Service Requirement Schedule

The following schedule sets forth the debt service schedule for the Outstanding Bonds (herein defined), and the principal and interest requirements on the Bonds. Totals may not sum due to rounding.

Year Ending 12/31	Outstanding Debt Service (a)	The Bonds				Total Debt Service
		The System Bonds		The Road Bonds		
		Principal	Interest	Principal	Interest	
2020	\$ 975,167	-	-	-	-	\$ 975,167
2021	1,420,244	-	\$ 189,380	-	\$ 186,665	1,796,289
2022	1,421,959	\$ 180,000	174,813	\$ 200,000	172,306	2,149,078
2023	1,430,759	185,000	166,713	200,000	163,306	2,145,778
2024	1,428,244	190,000	158,388	210,000	154,306	2,140,938
2025	1,424,609	195,000	149,838	220,000	144,856	2,134,303
2026	1,430,006	200,000	141,063	225,000	134,956	2,131,025
2027	1,428,931	205,000	132,063	235,000	124,831	2,125,825
2028	1,432,776	210,000	122,838	230,000	114,256	2,109,870
2029	1,446,338	215,000	113,388	235,000	103,906	2,113,631
2030	1,463,560	225,000	103,713	235,000	94,506	2,121,779
2031	1,469,354	230,000	93,588	240,000	87,456	2,120,398
2032	1,483,989	235,000	86,688	240,000	82,656	2,128,333
2033	1,501,728	240,000	81,988	235,000	77,856	2,136,571
2034	1,516,946	250,000	77,188	235,000	73,156	2,152,290
2035	1,530,506	255,000	72,188	235,000	68,456	2,161,150
2036	1,546,939	265,000	67,088	235,000	63,756	2,177,783
2037	1,551,004	270,000	61,788	235,000	59,056	2,176,848
2038	1,567,969	280,000	56,388	235,000	54,356	2,193,713
2039	1,578,094	285,000	50,438	235,000	49,363	2,197,894
2040	1,594,569	295,000	44,025	235,000	44,075	2,212,669
2041	1,517,219	300,000	37,388	320,000	38,788	2,213,394
2042	1,386,394	310,000	30,638	325,000	31,588	2,083,619
2043	975,163	320,000	23,275	325,000	23,869	1,667,306
2044	982,563	325,000	15,675	330,000	16,150	1,669,388
2045	-	335,000	7,956	350,000	8,313	701,269
Total	\$ 35,505,026	\$ 6,000,000	\$ 2,258,486	\$ 6,000,000	\$ 2,172,790	\$ 51,936,302

(a) Outstanding debt service at the delivery of the Bonds.

Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2020-2045).....	\$ 1,997,550
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2041).....	\$ 2,213,394

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SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 5

\$6,000,000
CONTRACT REVENUE BONDS
SERIES 2020

\$6,000,000
CONTRACT REVENUE ROAD BONDS
SERIES 2020

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Sienna Plantation Municipal Utility District No. 5 (the "Master District") of its \$6,000,000 Contract Revenue Bonds, Series 2020 (the "System Bonds") and its \$6,000,000 Contract Revenue Road Bonds, Series 2020 (the "Road Bonds," and together with the System Bonds, the "Bonds").

The System Bonds are issued by the Master District pursuant to the Master District Contract (herein defined), the terms and conditions of the bond resolution (the "System Bond Resolution") adopted by the Board of Directors of the Master District (the "Board") on the date of sale of the Bonds, and pursuant to Chapters 49 and 54 of the Texas Water Code, an order of the Texas Commission on Environmental Quality (the "TCEQ"), an election held within the Master District and passed by a majority of the participating voters, and the general laws of the State of Texas ("Texas") relating to the issuance of bonds by political subdivisions in Texas.

The Road Bonds are issued by the Master District pursuant to the Master District Contract, the terms and conditions of the bond resolution (the "Road Bond Resolution," and together with the System Bond Resolution, the "Bond Resolutions") adopted by the Board on the date of sale of the Bonds, and pursuant to Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, Chapter 8321 of the Texas Special District Local Laws Code, an election held within the Master District and passed by a majority of the participating voters, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas.

This Official Statement includes descriptions, among others, of the Bonds, the Bond Resolutions, and certain other information about the "Participants" (and each a "Participant") (currently, the Master District (in its capacity as a Participant), Sienna Plantation Municipal Utility District No. 4 ("SPMUD4"), Sienna Plantation Municipal Utility District No. 6 ("SPMUD6"), and Sienna Plantation Municipal Utility District No. 7 ("SPMUD7")), certain other information about the Master District, in both its capacity as the Master District and as a Participant, the approximate 3,424 acre area (the "Service Area") to be provided with the Master District Facilities (herein defined), and the Contracts for the Financing, Operation and Maintenance of Regional Facilities entered into by the Participants and the Master District (the "Master District Contract").

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.

This Official Statement also includes information about the Master 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. Copies of documents may be obtained from the Master District via Bond Counsel (herein defined) at 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, upon payment of the costs of duplication therefore.

RISK FACTORS

General

The Master District is issuing the System Bonds for the purpose of constructing or acquiring regional water, wastewater, and drainage facilities to serve the Service Area (the "Master District System Facilities") and the Road Bonds for the purpose of constructing or acquiring a regional road system to serve the Service Area (the "Master District Road Facilities"). In addition to the contract revenue bonds issued for the purpose of constructing or acquiring the Master District System Facilities (the "Contract Revenue System Bonds") and the contract revenue bonds issued for the purpose of constructing or acquiring the Master District Road Facilities (the "Contract Revenue Road Bonds"), the Master District is expected to issue, in the future, contract revenue bonds for the purpose of constructing or acquiring the Master District Fire Facilities (herein defined) (the "Contract Revenue Fire Bonds"). The Contract Revenue System Bonds, the Contract Revenue Road Bonds, and the Contract Revenue Fire Bonds are collectively referred to herein as the "Contract Revenue Bonds." The

Master District may also, in the future, issue contract revenue bonds for the purpose of constructing or acquiring regional park and recreational facilities to serve the Service Area (the “Master District Park Facilities”). The Master District System Facilities, the Master District Road Facilities, the Master District Fire Facilities, and the Master District Park Facilities are collectively referred to herein as the “Master District Facilities.” The Bonds are limited obligations solely of the Master District and are not obligations of Texas, Fort Bend County, Texas (the “County”), the City of Missouri City, Texas (the “City”), any of the Participants (except the Master District), or any entity other than the Master District, and are payable solely from the revenues pledged thereto. The Contract Revenue Bonds, including the Bonds, are payable solely from and to the extent of certain contract payments received by the Master District from the Participants pursuant to the Master District Contract, with each Participant’s annual contract payment being equal to its pro rata share of annual debt service on the Contract Revenue Bonds, including the Bonds, plus all charges and expenses of paying agents and registrars, and all amounts required to establish and maintain funds, established under the Bond Resolutions based upon the appraised valuation subject to taxation plus amounts equal to any optional exemption or special appraisal value granted or adopted by a Participant, and any optional exemption or special value claimed by a landowner due to use for agricultural, open space, timberland, or other similar uses (the “Gross Certified Assessed Valuation”) of each such Participant as a percentage of the total Gross Certified Assessed Valuation of all Participants (the “Contract Payment(s)”). Each Participant is contractually obligated to make the Contract Payments from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on taxable property within its boundaries (the “Contract Tax”), from revenues derived from the operations of such Participant’s water distribution and wastewater collection systems, or from any other lawful sources of such Participant’s income. **The obligations of the Participants to make Contract Payments are several, not joint, obligations prorated among the Participants based upon the proportion of the Gross Certified Assessed Valuation of property within their respective boundaries to the total Gross Certified Assessed Valuation of property within all Participants as described herein.** No Participant is obligated to pay the Contract Payments allocated to any other Participant; however, lack of payment by any Participant could result in an increase in the Contract Payment amount paid by each of the other Participants during the time that such Participant’s payment is delinquent as the Master District may include a reserve amount in the Contract Payment due from each Participant. The security for payment of the principal of and interest on the Bonds by the Master District, therefor, depends on the ability of each Participant to collect annual ad valorem taxes (without legal limit as to rate or amount) levied on taxable property within its boundaries sufficient to make its Contract Payments. The collection by each Participant of delinquent taxes owed to it may be a costly and lengthy process. See “RISK FACTORS – Registered Owners’ Remedies and Bankruptcy” and “THE BONDS – Source of Payment.”

Possible Flooding Events

The Service Area lies within SPLID, which provides flood protection for the Service Area.

Overtopping, Levee Failure and Excessive Rainfall: SPLID’s levee and drainage system have been designed and constructed to meet all current regulatory standards. See “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 Service Area: (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 one percent (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 SPLID’s levee system may occur from river events with a recurrence interval of less than one-fifth percent (0.2%) (500-year event) based on the effective FEMA models for the Brazos River in the County.

In addition to the risk of overtopping, a portion of SPLID 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 SPLID 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 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 the South Levee System. 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 (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.

SPLID 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. 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 is equally protected by the Flood Protection System. While all structures within SPLID 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 Service Area may be at greater risk of structural flooding as compared to structures with foundational slabs at a higher elevation, and some areas in SPLID may be more prone to flooding events than other areas.

Changing Conditions: New Atlas 14 (herein defined) 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 Master District can make a prediction regarding the effect that any such future changing conditions would have on the Flood Protection System or its ability to mitigate future flooding events. See “THE FLOOD PROTECTION SYSTEM.”

Recent Extreme Weather Events

The greater City of Houston, Texas (“Houston”), area, including the Service Area, 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 Service Area or SPLID.

Hurricane Harvey produced an estimated 40 inches of rain in SPLID over a four-day period, well in excess of the 100-year threshold across most of the Houston area. Additionally, Fort Bend County, Texas, Judge Bob Hebert called for a mandatory evacuation of SPLID, including the Service Area, due to the rise of the Brazos River and the risk of a breach or overtopping of SPLID’s levee system. Rainfall from Hurricane Harvey did not result in an overtopping or breach of SPLID’s levee system. In addition, a tornado touched down and

approximately 64 homes were damaged by the tornado within SPLID, none of which were within the Service Area.

According to SPLID's engineer, SPLID experienced significant street flooding and approximately 67 homes had water damage from flooding. All flooding was due to the rainfall amounts in SPLID exceeding the design capacity of internal drainage facilities. No flooding occurred due to a breach or overtopping of SPLID's levee system. See "TAXING PROCEDURES – Valuation of Property for Taxation."

The Master District cannot predict the effect that additional extreme weather events may have upon the Service Area or SPLID's levee and drainage system. Additional extreme weather events have the potential to cause damage within SPLID, including the Service Area, that could have a negative effect on taxable assessed valuations in the Service Area which could cause tax rates to rise. See "RISK FACTORS – Possible Flooding Events" and "THE FLOOD PROTECTION SYSTEM."

Potential Impact of Natural Disaster

The Service Area is located approximately 85 miles from the Texas Gulf Coast and has been and could again be impacted by high winds, heavy rains, and flooding caused by hurricane, tornado, tropical storm, or other adverse weather events. In the event that a natural disaster should damage or destroy improvements and personal property in the Service Area, the assessed valuation of such taxable properties could be substantially reduced, resulting in a decrease in the assessed valuation of the Participants and an increase in the tax rates of the Participants. See "TAXING PROCEDURES – Property Tax Code and County-Wide Appraisal District" and "TAXING PROCEDURES – Valuation of Property for Taxation."

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 Service Area that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed valuations in the Service Area would be adversely affected. There can be no assurance that the Service Area will not sustain damage from meteorological events.

Reappraisal of Property

On November 5, 2019, a Texas Constitutional amendment, effective January 1, 2020, passed and the prior process that gave local taxing jurisdictions the option to request a reappraisal following a disaster was repealed and replaced with an exemption for qualified property that is in a Governor (herein defined) declared disaster area and at least 15% damaged. Qualified property includes tangible personal property, improvements to real property, and manufactured homes. Eligible individuals must apply within a specified time frame and, if the disaster occurs after taxes are levied, the taxing unit must take action to authorize the exemption. The amount of the exemption is determined by the percentage level of damage and is prorated based on the date of the disaster. The applicable appraisal district must perform a damage assessment and assign a percentage rating to determine the amount of the exemption. Any exemption granted under the new provisions expires the first year the property is reappraised

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 of 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 Service Area. 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 Master District's share of operations and maintenance expenses payable from ad valorem taxes.

Infectious Disease Outbreak – 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 Governor of Texas (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 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 the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a series of executive orders relating to COVID-19 preparedness and mitigation. Due to a recent spike in COVID-19 cases, recent executive orders modified the phased reopening of businesses in Texas, subject to further restrictions in the Governor's discretion. For example, Executive Order GA-28, which was issued on June 26, 2020, and remains in effect until modified, amended, rescinded or superseded by the Governor, established occupancy limits to 50 percent for most businesses in Texas, limited bars and similar establishments to drive-through, pickup or delivery options, and made most outdoor gatherings of more than 100 people subject to approval by local authorities, subject to exceptions outlined in the order. Businesses otherwise subject to a 50 percent occupancy limit and located in a county meeting certain Department of State Health Services criteria are eligible to operate at up to 75 percent of occupancy. In separate orders, the Governor imposed a moratorium on elective surgeries in numerous Texas counties including Harris, Travis, Bexar and Dallas Counties. The Governor retains the authority to impose additional restrictions on activities. Under Executive Order GA-28, for the remainder of the 2019-2020 school year, public schools may resume operations in the summer under protocols outlined in guidance from the TEA. Due to a rise in COVID-19 cases in Texas, Executive Order GA-29 now requires the use of face covering in public spaces. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

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 Service Area. 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 debt service on the Bonds as well as the Master District's share of operations and maintenance expenses payable from ad valorem taxes.

The Master District continues to monitor the spread of COVID-19 and the potential impact of COVID-19 on the Service Area. While the potential impact of COVID-19 on the Service Area cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the Master 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 Master District's financial condition.

Overlapping Debt and Tax Rates

The Master District and each Participant may each independently issue additional debt which may change the projected and actual tax rates in the future.

Landowners are or will be responsible for the payment of ad valorem taxes levied by each Participant for payment of Contract Payments. In addition, owners of property located within the Participants are responsible for the payment of ad valorem taxes levied by each Participant for the payment of debt service on unlimited tax bonds issued by each Participant and ad valorem taxes levied by each Participant for the purpose of paying the Participant's operation and maintenance costs. See "APPENDIX A - CERTAIN

FINANCIAL INFORMATION REGARDING THE PARTICIPANTS” for information related to each Participant’s indebtedness and taxation requirements.

In addition, property located within the Service Area is subject to taxation by various other governmental entities, including SPLID. See “RISK FACTORS – Debt Burden on Property Within the Service Area” and “TAX DATA – Estimated Overlapping Taxes.”

Economic Factors and Interest Rates

The rate of development of the Service Area is directly related to the vitality of the residential and commercial industry in the Houston area. New residential construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of residential construction activity would restrict the growth of property values within the Service Area. The Master District and Participants cannot predict the pace or magnitude of any future development within the Service Area. See “THE MASTER DISTRICT – Status of Development within the Service Area.”

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for developmental costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the Service Area. Because of the numerous and changing factors affecting the availability of funds, the Master District is unable to assess the future availability of such funds for continued construction within the Service Area. In addition, since the Service Area is located approximately 23 miles from the central downtown business district of Houston, the success of development within the Service Area and growth of Service Area taxable property values are, to a great extent, a function of the Houston and regional economies. A downturn in the economic conditions of Houston and the nation could adversely affect development and home-building plans within the Service Area and restrain the growth of the Service Area’s property tax base.

Competition

The demand for and construction of single-family homes within the Service Area, which is approximately 23 miles from the central downtown business district of Houston, could be affected by competition from other residential developments including other residential developments located in the southwestern portion of the Houston area. In addition to competition for new home sales from other developments, there are numerous previously owned homes near the Service Area and in more established neighborhoods closer to downtown Houston. Such homes could represent additional competition for new homes proposed to be sold within the Service Area.

The competitive position of the Developer (herein defined) in the sale of developed lots and of prospective builders in the construction of single-family residential houses within the Service Area is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values within the Service Area. The Master District can give no assurance that building and marketing programs within the Service Area by the Developer will be implemented or, if implemented, will be successful.

Dependence on Major Taxpayers and the Developer

The top ten principal taxpayers within the Service Area represent \$63,625,625 or 10.63% of the 2020 Gross Certified Assessed Valuation of the Participants, which is \$609,504,885, and represents ownership in the Participants’ boundaries as of January 1, 2020. The Developer represents \$33,271,495 or 5.56% of such value. See “TAX DATA – Principal Taxpayers.” If the Developer or another principal taxpayer were to default in the payment of taxes in an amount which exceeds the amount in the debt service fund created to pay debt service on bonds issued for the Master District System Facilities (the “Contract Revenue System Debt Service Fund”) or the debt service fund created to pay debt services on bonds issued for the Master District Road Facilities (the “Contract Revenue Road Debt Service Fund”), the ability of the Master District to make timely payment of debt service on the Bonds would be dependent on the ability of Participants to enforce and liquidate their tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in a Participant being forced to set an excessive tax rate, hindering growth and leading to further defaults in the payment of taxes. The Master District is not required by law or the Bond Resolutions to maintain any specified amount of surplus in its Contract Revenue System Debt Service Fund or Contract Revenue Road Debt Service Fund. See “RISK FACTORS – Tax Collection Limitations,” “TAXING PROCEDURES – Levy and

Collection of Taxes,” and “APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS.”

The Developer has informed the Board that its current plans are to develop the remaining undeveloped land and to continue marketing the remaining developed lots in the Participants to homebuilders. However, neither the Developer nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The Master District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer or any other landowner within the Service Area to implement any plan of development. Furthermore, there is no restriction on any landowner’s right to sell land. The Master District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer or any other landowner. See “DESCRIPTION OF THE DEVELOPER.”

Toll-GTIS Property Owner, LLC Agreement With the City

A prior owner of the land within the Service Area entered into the Eighth Amendment to the Sienna Plantation Joint Development Agreement with the City on July 15, 2013 (the “Eighth Amendment”). The Eighth Amendment modifies the terms of the original Sienna Plantation Joint Development Agreement (entered into in February 19, 1996) as it pertains to the land now owned by the Developer (referred to in the Eighth Amendment as “Tract B” but referred to herein as the Service Area); and clarifies that unless expressly set forth in the Eighth Amendment, none of the terms of the preceding seven amendments are applicable to the development of the Service Area. Thus the original Sienna Plantation Joint Development Agreement, as amended by the Eighth Amendment (collectively referred to herein as the “Development Agreement”), are the only terms that remain in full force and effect as to the Developer’s development of land within the Service Area.

The Development Agreement was assigned to the Developer on December 10, 2013. The Development Agreement stipulates the City’s regulatory authority over the development of Sienna (herein defined), establishes certain restrictions and commitments related to the development of the Service Area, sets forth detailed design and construction standards, stipulates a formula for determining the timing of annexations of land within the Service Area by the City, sets forth utility development standards, and identifies and establishes a master plan for the development of the Service Area. The Development Agreement limits the number of residential units within the Service Area to 10,000 with no more than 220 acres of commercial development. Any material deviation from the terms of the Development Agreement by the Developer may be considered a breach of the Development Agreement by the Developer and may adversely affect development of the Service Area.

Undeveloped Acreage and Vacant Lots

There are approximately 2,187 developable acres of land within the Service Area that have not been provided with water, wastewater, drainage, road, and other facilities necessary for the construction of taxable improvement. In addition, there are approximately 294 vacant developed lots. The Master District makes no representation as to when or if development of the undeveloped acreage will occur or that the lot sales and building program will be successful. See “THE MASTER DISTRICT – Status of Development Within the Service Area.”

Operational Expenses

Each Participant is obligated to pay monthly charges to the Master District for its share of the Master District’s operation and maintenance expenses in connection with the Master District’s provision of service from the Master District Facilities. The monthly charges to be paid by each Participant to the Master District will be used to pay each Participant’s share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. Each Participant’s share of operation and maintenance expenses and reserve requirements is based upon a “unit cost” of operation and maintenance expense and reserve requirements, calculated by the Master District and expressed in terms of “cost per equivalent single-family residential connection.” Each Participant’s monthly payment to the Master District for operation and maintenance expenses will be calculated by multiplying the number of equivalent single-family residential connections (“ESFCs”) reserved to each Participant on the first day of the previous month by the unit cost per ESFC. The monthly cost per ESFC being

charged by the Master District to each Participant presently is \$32.38 for water and wastewater services and \$21.50 for firefighting services. See “MASTER DISTRICT FACILITIES.”

No Reserve Fund

The Bonds will be issued pursuant to the Bond Resolutions wherein the Contract Payments will be pledged to payment of debt service on the Bonds. The Bond Resolutions confirms the Contract Revenue System Debt Service Contract Revenue Fund and the Contract Revenue Road Debt Service Fund but does not create designated reserve funds. Each Participant’s pro rata share of the Contract Payments is calculated by the Master District. The Master District’s annual calculation of the debt service requirement to be paid by the Participants shall include no more than the sum of next year’s annual debt service requirements and, at the option of the Master District, up to 50% of the following year’s annual debt service requirements to establish a replenishment amount in the debt service funds, which when paid by the Participants, will be deposited into the respective debt service funds. Delay or failure of any Participant to pay its pro rata share of the debt service requirements may adversely affect payment of the Bonds. There is no trust estate or trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of Registered Owners (herein defined). Any action in mandamus as a result of a payment or other default under the Bond Resolutions would have to be brought by the Registered Owners themselves against the Master District, and such an action would not necessarily operate to enforce rights against other Participants. See “RISK FACTORS – Registered Owners’ Remedies and Bankruptcy.”

Maximum Impact on Contract Tax Rate

Assuming no further development, the value of the land and improvements currently within the Participants will be the major determinant of the ability and willingness of property owners to pay their taxes. The 2020 Gross Certified Assessed Valuation of the Participants is \$609,504,885 and the Estimated Gross Assessed Valuation of the Participants as of August 1, 2020, is \$676,506,374. See “TAX DATA.” After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds (herein defined) and the Bonds will be \$2,213,394 (2041) and the average annual debt service requirement on the Outstanding Bonds and the Bonds will be \$1,997,550 (2020-2045). Assuming no increase or decrease from the 2020 Gross Certified Assessed Valuation, a Contract Tax rate of \$0.39 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Bonds and the Bonds and a Contract Tax rate of \$0.35 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement on the Outstanding Bonds and the Bonds. Assuming no increase or decrease from the Estimated Gross Assessed Valuation of the Participants as of August 1, 2020, a Contract Tax rate of \$0.35 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Bonds and the Bonds and a Contract Tax rate of \$0.32 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement on the Outstanding Bonds and the Bonds. See “SELECTED FINANCIAL INFORMATION – Debt Service Requirement Schedule,” “SELECTED FINANCIAL INFORMATION – Contract Revenue Bonds of the Master District,” and “TAX DATA – Tax Rate Calculations.”

Debt Burden on Property Within the Service Area

The total tax rate paid by property owners within the Service Area is a major factor in the demand for single-family homes within the Service Area. The Master District Contract requires that the Participants make Contract Payments from the Contract Tax. In addition, other contract tax payments are required of the Participants by the Master District Contract. See “MASTER DISTRICT CONTRACT” and “MASTER DISTRICT CONTRACT WITH SPMUD1”. Furthermore, each Participant will be required to levy taxes on property within the boundaries (without legal limit as to rate or amount) to pay annual principal and interest on any unlimited tax bonds issued in the future by the Participant to fund internal water, wastewater, drainage, road, and park and recreational facilities within the Participant’s boundaries. Each Participant may also levy taxes on property within its boundaries to pay operations and maintenance expenses. For the 2020 tax year, SPMUD4 anticipates to levy a debt service tax of \$0.585 per \$100 of assessed valuation, a maintenance and operations tax of \$0.125 per \$100 of assessed valuation, and contract tax of \$0.340 per \$100 of assessed valuation, for a total tax rate of \$1.050 per \$100 of assessed valuation. For the 2020 tax year, SPMUD6 anticipates to levy a debt service tax of \$0.630 per \$100 of assessed valuation, a maintenance and operations tax of \$0.070 per \$100 of assessed valuation, and contract tax of \$0.350 per \$100 of assessed valuation, for a total tax rate of \$1.050 per \$100 of assessed valuation. To date, none of the other Participants have levied a tax rate.

The entirety of the Service Area is located within SPLID, which covers approximately 9,832 acres of land. 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. All of the approximate 3,424 total acres that make up the Service Area are located within SPLID. SPLID intends to finance facilities to accomplish flood protection and accommodate storm water drainage and regional park facilities within SPLID, including the Service Area. SPLID currently levies a tax on property located within its boundaries, including the Service Area, which is in addition to any tax levied by the Master District. For the 2020 tax year, SPLID anticipates to levy a total tax of \$0.450 per \$100 of assessed valuation. SPLID plans to issue \$37,900,000 principal amount of unlimited tax bonds in October 2020. At the delivery of the Bonds, SPLID will have \$120,535,000 principal amount of unlimited tax bonds outstanding (exclusive of the anticipated bond issue).

As discussed in this Official Statement under "MASTER DISTRICT CONTRACTS WITH SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 1" in May 2013, the Participants executed a Contract for Financing Operation and Maintenance of Regional Water, Sanitary Sewer and Storm Sewer Facilities (the "SPMUD1 Agreement") with Sienna Plantation Municipal Utility District No. 1 ("SPMUD1"). The SPMUD1 Agreement obligates the Participants (and the five other participating districts) to pay their respective pro rata share for any contract revenue bonds issued by SPMUD1 for regional facilities. SPMUD1 is only able to issue contract revenue bonds for certain limited purposes, including bonds for a wastewater treatment plant. In May 2018, SPMUD1 issued \$25,010,000 principal amount of contract revenue bonds through the Texas Water Development Board for the construction of permanent wastewater capacity to serve Sienna. The Participants, including the Mater District, pursuant to the Master District Contract, are responsible for their pro rata share of such bonds. Of the \$25,010,000 principal amount issued, \$12,695,000 principal amount is attributable to the Master District (on behalf of the Participants), of which the Master District is contractually obligated to pay its pro rata share of the annual debt service. At the delivery of the Bonds, \$12,695,000 principal amount of the Master District's obligation will remain outstanding.

The tax rate that may be required to service debt on any bonds issued by the Master District, a Participant, SPLID, or SPMUD1 is subject to numerous uncertainties such as the growth of taxable values within such district, 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 Sienna 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 Service Area and the investment quality or security of the Bonds could be adversely affected.

In addition, the Participants are within the taxing jurisdiction of other taxing entities, including the County and Fort Bend Independent School District. Each of these entities currently levies various taxes on property within the boundaries of the Participants in addition to the other taxes listed above.

While the Master District makes no representation regarding the likelihood of adverse economic conditions requiring the levy of a higher tax rate, it is expected that the combined tax rate of a Participant (including any Contract Tax) and SPLID, but excluding other taxing entities, will not exceed \$1.500 per \$100 of assessed valuation. See "TAX DATA."

Tax Collection Limitations

The Master District's ability to make debt service payments may be adversely affected by each Participant's inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by a Participant constitutes a lien in favor of such Participant on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. A Participant'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 affecting the marketability of taxable property within the Participant's boundaries and limiting the proceeds from a foreclosure sale of such property, or (d) the taxpayer's right to redeem the property within six months for commercial property and two years for residential property and all other property after the purchaser's deed issued at the foreclosure is filed in the county records. While the Participant has a lien on taxable property within the Participant's boundaries 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 Participant from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy

proceedings initiated by or against a taxpayer within the Participant's boundaries pursuant to Federal Bankruptcy Code could stay any attempt by such Participant to collect delinquent ad valorem taxes assessed 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. See "TAXING PROCEDURES – Participant's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies and Bankruptcy

There is no trust estate or trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of Registered Owners. There is no reserve fund securing the payment of the Bonds. See "RISK FACTORS – No Reserve Fund."

In the event of default in the payment of principal of or interest on the Bonds, the registered owners of the Bonds (the "Registered Owners" and each a "Registered Owner") have a right to seek a writ of mandamus requiring the Master District to levy adequate taxes each year to make such payments. Except for the mandamus, the Bond Resolutions do not specifically provide for remedies to protect and enforce such 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 Master District, such a judgment could not be enforced by a direct levy and execution against the Master District's property. Further, the Registered Owners themselves cannot foreclose on property within the Master District or the Service Area or sell property within the Master District or the Service Area 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 Master District. In this regard, should the Master District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the Master District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS – Bankruptcy Limitation to Registered Owners' Rights."

Marketability

The Master District has no understanding (other than the initial reoffering yields) with the winning bidder for the Bonds (the "Initial Purchaser") 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 generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

Pursuant to the Master District Contract and in connection with the development of the Service Area, the Master District may issue Contract Revenue Bonds in an amount necessary to provide the Master District Facilities. The Master District Contract also authorizes the Master District to refund any outstanding Contract Revenue Bonds. Any future Contract Revenue Bonds will be on a parity with the Bonds. The Master District is expected to issue additional Contract Revenue Bonds. The Master District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of Contract Revenue Bonds which it may issue. The issuance of additional Contract Revenue Bonds is subject to approval by the TCEQ pursuant to its rules and regarding issuance and feasibility of bonds, except that no TCEQ approval is currently required for the issuance of Contract Revenue Road Bonds to fund road projects. See "RISK FACTORS – Maximum Impact on Contract Tax Rate" and "THE BONDS – Issuance of Additional Debt."

In addition to the Contract Revenue System Bonds and the Contract Revenue Road Bonds, the Master District is expected to issue, in the future, Contract Revenue Fire Bonds. The Master District Contract obligates each Participant to pay a pro rata share of the debt service on the Contract Revenue Bonds based upon the Gross Certified Assessed Valuation of each Participant as a percentage of the Gross Certified Assessed Valuation of all Participants, calculated annually. Each Participant is obligated to make such Contract Payments from the

proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on taxable property within its boundaries, or also known as the “Contract Tax,” from revenues derived from the operations of such Participant’s water distribution and wastewater collection systems, or from any other lawful source of such Participant’s income.

Pursuant to the Master District Contract and after the issuance of the Bonds, the Master District will have \$419,935,000 principal amount of Contract Revenue System Bonds, \$233,985,000 principal amount of Contract Revenue Road Bonds, and \$32,800,000 principal amount of Contract Revenue Fire Bonds remaining authorized but unissued, and such additional bonds as may hereafter be approved by both the Board and voters of the Participants. See “THE BONDS – Issuance of Additional Debt.” The Outstanding Bonds, the Bonds, and all additional Contract Revenue Bonds issued by the Master District, will be payable from the Contract Tax.

In addition, the Master District has authorized \$218,300,000 principal amount of contract revenue bonds for the purpose of constructing or acquiring the Master District Park Facilities. The Master District does not anticipate issuing these bonds.

The Master District (in its capacity as a Participant) and each of the other Participants have voted bonds for purposes of providing internal water, wastewater, drainage, road, and park and recreational facilities within their respective boundaries. See “APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS” for a description of the voter authorized bonds, principal amount of bonds issued (if any), and principal amount of bonds outstanding for each Participant.

Continuing Compliance with Certain Covenants

The Bond Resolutions contain covenants by the Master District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of the Master 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.”

Environmental Regulations

Wastewater treatment, water supply, storm sewer facilities and construction activities within the Master 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 Master District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the Master 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 Participants, 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 TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) 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. While SPMUD4, Sienna Plantation Municipal Utility District Nos. 1, 2, 3, 10, 12, and the Sienna Plantation Management District are subject to the MS4 Permit, the Master District, as a Participant, is currently not subject to the MS4 Permit as it does not meet the population thresholds. If the Master District’s inclusion as a Participant were required at a future date, the Master District could incur substantial costs to develop, implement, and maintain the necessary 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 in order to comply with the MS4 Permit.

Operations of utility districts, including the Participants, 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 Participants must obtain a permit from the United States Army Corps of Engineers (“USACE”) if operations of the Participants 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 is effective as of June 22, 2020, and is currently the subject of ongoing litigation.

Due to 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 Participants, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

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, however, does not pass upon or guarantee the safety of the Bonds as an investment or 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.

Bond Insurance Risk Factors

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

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

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer and its claim paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the ratings on the Bonds insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "MUNICIPAL BOND INSURANCE" and "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 Master District nor the Initial Purchaser 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 Master District to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

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. Copies of the Bond Resolutions may be obtained from the Master District upon written request made to Bond Counsel at 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027. The Bond Resolutions authorize the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the Master District.

The Bonds will mature on November 1 of the years and in principal amounts, and will bear interest from October 1, 2020, at the rates per annum, set forth on the cover of this Official Statement. Interest on the Bonds will be payable May 1, 2021, and semiannually thereafter on November 1 and May 1 until maturity or redemption. Interest calculations are based on a 360-day year comprised of twelve 30-day months. The Bonds are subject to redemption as described below.

The Bonds will be issued only in fully registered form in principal denominations of \$5,000 for any one maturity and will be initially registered and delivered only to The Depository Trust Company, New York, New York ("DTC") in its nominee name of Cede & Co., pursuant to the Book-Entry-Only System (herein defined). No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by Regions Bank, an Alabama state banking corporation, Houston, Texas (the "Paying Agent/Registrar"), to Cede & Co., as registered owner. DTC will make distribution of the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only-System."

In the event the Book-Entry-Only System is discontinued and physical bond certificates issued, interest on the Bonds shall be payable by check mailed by the Paying Agent/Registrar on or before each interest payment date, to the Registered Owners as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owner at the risk and expense of such Registered Owner.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day without additional interest and with the same force and effect as if made on the specified date for such payment.

Book-Entry-Only System

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

The Master District and the Financial Advisor cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to Direct and Indirect Participants (herein defined), (2) Direct and Indirect 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 Registered 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 Direct and Indirect Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond 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 (the "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 (the "Indirect Participants," and together with the Direct Participants, the "Direct and Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Direct and Indirect Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The holder of ownership interest of each actual purchase of each Bond (the "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 the Master District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 Direct and Indirect Participant and not of DTC, Paying Agent/Registrar or the Master 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 the Master District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The Master District may decide to discontinue use of the Book-Entry-Only System transfers through DTC (or a successor securities depository). In that event, Bond 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 Master District believes to be reliable, but the Master 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 Direct and Indirect 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.

Successor Paying Agent/Registrar

Provisions are made in the Bond Resolutions for replacing the Paying Agent/Registrar. If the Master 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 Master District shall be a commercial bank; a trust company organized under the laws of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

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

Registration, Transfer and Exchange

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolutions. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferable. See "THE BONDS – Book-Entry-Only-System."

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the Register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by

the Registered Owner. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the Master 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 Master District or Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Redemption of the Bonds

Optional Redemption

Bonds maturing on November 1, 2026, and thereafter shall be subject to redemption and payment at the option of the Master District, in whole or from time to time, in part, on November 1, 2025, 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 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 Register kept by the Paying Agent/Registrar. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the Master District.

If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/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 Paying Agent/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.

Mandatory Redemption

The System Bonds maturing on November 1 in the years 2028, 2034, 2043, and 2045 are term bonds (the "System Term Bonds") and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the System Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), and in the principal amount set forth in the following schedules:

\$615,000 Term Bonds Maturing on November 1, 2028	
Mandatory Redemption Date	Principal Amount
November 1, 2026	\$ 200,000
November 1, 2027	205,000
November 1, 2028 (Maturity)	210,000
\$490,000 Term Bonds Maturing on November 1, 2034	
Mandatory Redemption Date	Principal Amount
November 1, 2033	\$ 240,000
November 1, 2034 (Maturity)	250,000

\$630,000 Term Bonds Maturing on November 1, 2043

Mandatory Redemption Date	Principal Amount
November 1, 2042	\$ 310,000
November 1, 2043 (Maturity)	320,000

\$660,000 Term Bonds Maturing on November 1, 2045

Mandatory Redemption Date	Principal Amount
November 1, 2044	\$ 325,000
November 1, 2045 (Maturity)	335,000

The Road Bonds maturing on November 1 in the years 2028, 2034, 2043, and 2045 are term bonds (the "Road Term Bonds," and together with the System Term Bonds, the "Term Bonds") and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Road Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), and in the principal amount set forth in the following schedules:

\$690,000 Term Bonds Maturing on November 1, 2028

Mandatory Redemption Date	Principal Amount
November 1, 2026	\$ 225,000
November 1, 2027	235,000
November 1, 2028 (Maturity)	230,000

\$470,000 Term Bonds Maturing on November 1, 2034

Mandatory Redemption Date	Principal Amount
November 1, 2033	\$ 235,000
November 1, 2034 (Maturity)	235,000

\$650,000 Term Bonds Maturing on November 1, 2043

Mandatory Redemption Date	Principal Amount
November 1, 2042	\$ 325,000
November 1, 2043 (Maturity)	325,000

\$680,000 Term Bonds Maturing on November 1, 2045

Mandatory Redemption Date	Principal Amount
November 1, 2044	\$ 330,000
November 1, 2045 (Maturity)	350,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bonds or portions of the Term Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolutions. The principal amount of the Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Authority for Issuance

At separate elections held within the boundaries of each Participant, the voters of each Participant approved the Master District Contract. Under the Master District Contract, the Master District is to serve as the provider of the Master District Facilities. The Master District Contract authorizes the Master District to issue \$441,800,000 principal amount of Contract Revenue System Bonds, \$249,500,000 principal amount of Contract Revenue Road Bonds, and \$32,800,000 principal amount of Contract Revenue Fire Bonds. See "THE BONDS - Issuance of Additional Debt." The Master District Contract also authorizes the Master District to refund any outstanding Contract Revenue Bonds.

In addition, the Master District has authorized \$218,300,000 principal amount of contract revenue bonds for the purpose of constructing or acquiring the Master District Park Facilities. The Master District does not anticipate issuing these bonds.

The System Bonds are issued by the Master District pursuant to the Master District Contract, the terms and conditions of the System Bond Resolution adopted by the Board on the date of sale of the Bonds, and pursuant to Chapters 49 and 54 of the Texas Water Code, an order of the TCEQ, an election held within the Master District and passed by a majority of the participating voters, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas.

The Road Bonds are issued by the Master District pursuant to the Master District Contract, the terms and conditions of the Road Bond Resolution adopted by the Board on the date of sale of the Bonds, and pursuant to Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, Chapter 8321 of the Texas Special District Local Laws Code, an election held within the Master District and passed by a majority of the participating voters, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment, the sufficiency of the Contract Payments to pay principal of and interest on the Bonds or upon the adequacy of the information contained in this Official Statement.

Source of Payment

The Bonds are payable solely from payments the Participants make to the Paying Agent/Registrar for the purpose of paying the debt service on the Bonds pursuant to the requirements of the Master District Contract. The Master District Contract provides that all Participants shall pay a pro rata share of debt service on any Contract Revenue Bonds issued by the Master District, including the Bonds, based upon each Participant's Gross Certified Assessed Valuation as a percentage of the Gross Certified Assessed Valuation of all Participants. The debt service requirements shall be calculated to include the charges and expenses of paying agents and registrars utilized in connection with Contract Revenue Bonds, the principal, interest and redemption requirements of the Contract Revenue Bonds and all amounts required to establish and maintain funds established under the Bond Resolutions. Each Participant is obligated to pay its pro rata share of the Contract Payments, from the Contract Tax, revenues derived from the operation of its water distribution and wastewater collection systems or from any other legally available funds of such Participant. Each Participant's pro rata share of debt service requirements will be calculated annually by the Master District; however the levy of a Contract Tax for the purpose of paying debt service on the Contract Revenue Bonds is the sole responsibility of each Participant. The Bonds are obligations of the Master District and are not obligations of Texas, the County, the City, any of the Participants (except the Master District), or any entity other than the Master District.

Payment Record

The Master District has never defaulted in payment of its bonded indebtedness. See "THE BONDS – Source of Payment."

The Outstanding Bonds

The Master District has previously issued the following Contract Revenue Bonds: \$1,100,000 Contract Revenue Road Bonds, Series 2015; \$2,170,000 Contract Revenue Bonds, Series 2016; \$6,645,000 Contract Revenue Bonds, Series 2017; \$8,415,000 Contract Revenue Road Bonds, Series 2019; and \$7,050,000 Contract Revenue Bonds, Series 2019. At the delivery of the Bonds, \$24,855,000 principal amount of such previously issued debt will remain outstanding (the "Outstanding Bonds"). See "MASTER DISTRICT DEBT."

Contract Payments by the Participants

Principal of and interest on the Bonds are payable from and secured by each Participant's unconditional obligation to make Contract Payments. By execution of the Master District Contract, each Participant has agreed to make a Contract Payment in an amount equal to its pro rata share of the annual debt service on the Contract Revenue Bonds plus all the charges and expenses of paying agents and registrars, and all amounts required to establish and maintain funds established under the Bond Resolutions based upon its Gross Certified Assessed Valuation as a percentage of the total Gross Certified Assessed Valuation of all Participants. Each Participant is obligated to make such payments from the proceeds of the Contract Tax levied by such Participant on property within its boundaries for such purpose, revenues, if any derived from the operation of its water distribution and wastewater collection systems or from any other lawful source of funds. See "Source of Payment." No Participant is liable for the payments due by any other Participant. See "MASTER DISTRICT CONTRACT." The Master District shall calculate on or before September 1 of each year, or as soon thereafter as practical, the amount of Contract Payments due from each Participant in the following calendar year. The Contract Payments shall be billed to each Participant by the Master District on or before September 1 of the year prior to the year in which such Contract Payments become due, or as soon thereafter as practical. Such Contract Payments shall be due and payable from each Participant to the Paying Agent/Registrar semiannually by the dates specified by the Master District. The Master District specified March 1 and September 1 of each year as the dates by which Contract Payments are due to the Paying Agent/Registrar. The Bond Resolutions provide that the Contract Payments will be paid directly to the Paying Agent/Registrar semiannually on or before March 1 and September 1 of each year.

Unconditional Obligation to Pay

All charges imposed by the Master District to pay debt service on the Bonds will be made by the Participants without set-off, counterclaim, abatement, suspension, or diminution, nor will any Participant have any right to terminate the Master District Contract nor be entitled to the abatement of any such payment or any reduction thereof nor will the obligations of the Participants be otherwise affected for any reason, including without limitation acts or conditions of the Master District that might be considered failure of consideration, eviction or constructive eviction, destruction or damage to the Master District Facilities, failure of the Master District to perform and observe any agreement whether expressed or implied, or any duty, liability or obligation arising out of or connected with the Master District Contract. All sums required to be paid by the Participants to the Master District for such purposes will continue to be payable in all events and the obligations of the Participants will continue unaffected, unless the requirement to pay is reduced or terminated pursuant to an express provision of the Master District Contract. If any Participant disputes the amount to be paid to the Master District, the Participant shall nonetheless promptly make payments as billed by the Master District and if it is subsequently determined by agreement, arbitration, regulatory decision, or court decision that such disputed payment should have been less, the Master District will then make proper adjustments to all Participants so that the appropriate Participant will receive credit for its over-payments. See "THE MASTER DISTRICT."

Funds

The Contract Revenue System Debt Service Fund is confirmed in the System Bond Resolution and the Contract Revenue Road Debt Service Fund is confirmed in the Road Bond Resolution, of which the proceeds from the Contract Payments collected for and on account of the System Bonds shall be deposited into the Contract Revenue System Debt Service Fund and the proceeds from the Contract Payments collected for and on account of the Road Bonds shall be deposited into the Contract Revenue Road Debt Service Fund (which includes each Participant's pro rate share of the respective debt service requirements). The Bond Resolutions do not provide for segregated reserve funds. The Master District's annual calculation of the debt service requirement to be paid by the Participants shall include no more than the sum of next year's annual debt service requirements and, at the option of the Master District, an amount up to 50% of the following year's annual debt service requirements, which when paid by the Participants, will be deposited into the respective debt service fund.

There is no trust estate or trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of Registered Owners. There is no reserve fund securing the payment of the Bonds. See "RISK FACTORS – Registered Owners' Remedies and Bankruptcy."

Issuance of Additional Debt

Pursuant to the Master District Contract, the Master District is authorized to issue \$441,800,000 principal amount of Contract Revenue System Bonds, \$249,500,000 principal amount of Contract Revenue Road Bonds, and \$32,800,000 principal amount of Contract Revenue Fire Bonds. The Master District Contract also authorizes the Master District to refund any outstanding Contract Revenue Bonds. Pursuant to the Master District Contract, approval by each Participant and approval by the voters at an election held by each Participant is required prior to any amendment to the Master District Contract that would increase such authorized amounts. By execution of the Master District Contract between the Master District and each Participant, each Participant is obligated to pay its pro rata share of debt service on the Contract Revenue Bonds issued by the Master District to finance the Master District Facilities, including the Bonds. The Outstanding Bonds, the Bonds, and all additional Contract Revenue Bonds issued by the Master District, will be payable from the Contract Tax.

In addition, the Master District has authorized \$218,300,000 principal amount of contract revenue bonds for the purpose of constructing or acquiring the Master District Park Facilities. The Master District does not anticipate issuing these bonds.

Pursuant to the Master District Contract and after the issuance of the Bonds, the Master District will have \$419,935,000 principal amount of Contract Revenue System Bonds, \$233,985,000 principal amount of Contract Revenue Road Bonds, and \$32,800,000 principal amount of Contract Revenue Fire Bonds remaining authorized but unissued. The Master District Contract (except as described above) and the Bond Resolutions impose no limitation on the amount of Contract Revenue Bonds the Master District may issue payable from the Contract Tax. See "RISK FACTORS – Future Debt."

The Master District (in its capacity as a Participant) and each other Participant may issue unlimited tax bonds for water, wastewater, drainage, road, and park and recreational services, with any required approval of the TCEQ, necessary to provide and maintain improvements and facilities to serve land within their respective boundaries consistent with the purposes for which the Master District or such other Participant was created. TCEQ approval is not currently required for the Master District or any Participant to issue bonds for the purpose of constructing or acquiring road facilities. See "THE PARTICIPANTS" and "APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS."

Financing Park and Recreational Facilities

The Master District (in its capacity as a Participant) and each other Participant is authorized by statute to develop park and recreational facilities, including the issuance of bonds payable from an ad valorem tax for such purposes. The Master District has conducted a park election authorizing issuance of park bonds and has approved a park plan; however, no park bonds have been issued to date. If/when the Master District issues bonds for such purposes, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the assessed valuation of the taxable property within the Master District.

Park Construction Charges

In addition to the improvements to be made through the issuance of the Contract Revenue Bonds and pursuant to the Master District Contract, the Master District owns or will own, construct and/or acquire the Master District Park Facilities. The Master District intends to finance the capital costs of the Master District Park Facilities from payments made by each Participant of its pro rata share of the Master District's then estimated capital costs of the Master District Park Facilities (the "Park Construction Charges"). The Park Construction Charges will be computed from time to time on the basis of the then estimated total capital costs of providing the Master District Park Facilities for the Service Area minus the payments which have been previously received from the Participants as Park Construction Charges, and dividing the result by the number of projected total water and sewer connections to be constructed within the Service Area. Although the Master District Contract authorizes the Master District to issue contract revenue bonds for the construction of the Master District Park Facilities, it is currently anticipated that the Park Construction Charges will be paid by the Participants through the issuance of ad valorem tax bonds issued by the individual Participants. In no event shall the total Park Construction Charges paid by any Participant under the Master District Contract exceed one percent (1%) of that Participant's certified appraised valuation.

All Park Construction Charges received by the Master District shall be deposited in to the Park Construction Fund and shall be used solely for the purpose of paying the capital costs of the Master District Park Facilities pursuant to the Master District Contract.

No Arbitrage

The Master 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 Master 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 Master District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the Master District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the Master District are authorized to certify to the facts and circumstances and reasonable expectations of the Master District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the Master 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.

Defeasance

The Bond Resolutions provide that the Master 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 Master 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 Master 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 Master 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. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Resolutions.

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 Master 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 Master District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is an excerpt from Section 49.186 of the Texas Water Code, and is applicable to the Master 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 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 Master District (including the Bonds) are eligible as collateral for public funds.

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

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Registered Owners 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 Participants. Texas law requires municipal utility districts such as the Participants to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

Notwithstanding noncompliance by a district with Texas law requirements, the Master District or any other Participant could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning Master District or any other Participant relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

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Use and Distribution of Bond Proceeds

The System Bonds

Proceeds from the sale of the System Bonds will be used to reimburse the Developer for the costs associated with the construction of the Master District System Facilities shown below. In addition, proceeds from the sale of the System Bonds will be used to pay developer interest, twelve (12) months of capitalized interest, operating advances, and other certain costs associated with the issuance of the System Bonds, as shown below.

Non-construction costs are based upon either contract amounts, or estimates of various costs by the Master District Engineer (herein defined) and the Financial Advisor. The actual amounts to be reimbursed by the Master District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the Auditor (herein defined).

<u>CONSTRUCTION COSTS</u>	<u>Total Costs</u>
A. Developer Contribution Items	
1. Lift Station No. 2	\$ 671,520
2. Plantation River Parkway Clearing Phase 1	46,180
3. Plantation River Parkway Phase 1	1,183,392
4. Plantation River Crossing Channel 3	1,241,422
5. Village of Destrehan Section 1 and Adjacent Collector	765,104
6. Sienna Parkway from Channel 3 to E/W Collector Clearing	13,630
7. Land Costs for Lift Station No. 2	2,038
8. Storm Water Pollution Prevention Planning (SWPPP) for Items No. 3 and 4	46,308
9. Engineering and Materials Testing for Items No. 1, 3, 4, and 5	<u>530,977</u>
TOTAL DEVELOPER CONTRIBUTION ITEMS	\$ 4,500,571
B. District Items	
None	\$ _____
TOTAL CONSTRUCTION COSTS	\$ 4,500,571
<u>NON-CONSTRUCTION COSTS</u>	
A. Legal Fees	\$ 160,000
B. Fiscal Agent Fees	120,000
C. Interest Costs	
1. Developer Interest	436,638
2. Capitalized Interest (12 Months)	174,813
D. Bond Discount	180,000
E. Operating Expenses	236,505
F. Bond Issuance Expenses	40,286
G. Bond Application Report Costs	50,000
H. Attorney General Fee (0.10% or \$9,500 Maximum)	6,000
I. TCEQ Bond Issuance Fee (0.25%)	15,000
J. Contingency (a)	<u>80,187</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$ 1,499,429</u>
TOTAL BOND ISSUE REQUIREMENT	\$ 6,000,000

(a) Represents the difference between the estimated and actual amount of capitalized interest.

The Master District Engineer has advised the Master District that the proceeds of the sale of the System Bonds should be sufficient to reimburse the Developer for the costs of the above described facilities. In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses; however, the Master District cannot and does not guarantee the sufficiency of such funds for such purposes.

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The Road Bonds

Proceeds from the sale of the Road Bonds will be used to reimburse the Developer for the costs associated with the construction of the Master District Road Facilities shown below. In addition, proceeds from the sale of the Road Bonds will be used to pay developer interest, twelve (12) months of capitalized interest, and other certain costs associated with the issuance of the Road Bonds, as shown below.

Non-construction costs are based upon either contract amounts, or estimates of various costs by the Master District Engineer and the Financial Advisor. The actual amounts to be reimbursed by the Master District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the Auditor.

<u>CONSTRUCTION COSTS</u>	<u>Total Costs</u>
A. Plantation River Boulevard Phase 1 Improvements	\$ 20,940
B. Plantation River Boulevard Crossing Channel 3 Improvements	1,119,061
C. Sienna Parkway from Waters Lake to FM521 Phase 1 Improvements	846,318
D. Sienna Parkway Channel 3 to E/W Collector Clearing Improvements	8,190
E. Sienna Parkway to E/W Collector to Fault Line Clearing Improvements	6,795
F. Sienna Parkway from Greenbelt to Walters Lake Improvements	1,759,221
G. Plantation River Parkway Phase 1 Improvements	<u>1,233,717</u>
TOTAL CONSTRUCTION COSTS	\$ 4,994,242
 <u>NON-CONSTRUCTION COSTS</u>	
A. Legal Fees	\$ 165,000
B. Fiscal Agent Fees	120,000
C. Interest Costs	
1. Developer Interest	312,380
2. Capitalized Interest (12 Months)	172,306
D. Bond Discount	177,536
E. Bond Issuance Expenses	25,072
F. Bond Application Report Costs	25,000
G. Attorney General Fee (0.10% or \$9,500 Maximum)	6,000
H. Contingency (a)	<u>2,464</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$ 1,005,758</u>
TOTAL BOND ISSUE REQUIREMENT	\$ 6,000,000

(a) Represents the difference between the estimated and actual amount of bond discount.

The Master District Engineer has advised the Master District that the proceeds of the sale of the Road Bonds should be sufficient to reimburse the Developer for the costs of the above described facilities. In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses; however, the Master District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE PARTICIPANTS

Creation, Authority, and Description

All Participants operate as municipal utility districts pursuant to Chapter 49 and Chapter 54 of the Texas Water Code and are located within Sienna. To serve the property within their boundaries, the Participants have the powers to construct, acquire, operate, maintain, and finance water, wastewater, drainage, road, and park and recreational facilities. The Participants were created by orders of the TCEQ. The power to construct regional road facilities was added by special legislation.

The Participants are empowered to exercise all the powers and functions which will permit accomplishment of the purposes for which they were created. Each Participant may also establish, operate, and maintain a fire department or contract for firefighting services, and the TCEQ and its voters have approved a plan for that purpose.

Authorized Bonds and Debt Service Tax

The Participants have the statutory authority to issue unlimited tax bonds for the purpose of providing internal water distribution, wastewater collection, storm drainage, road, and park and recreational facilities to the land within their boundaries. Such bonds are secured by a direct continuing annual ad valorem tax

adequate to provide funds to pay the principal of and interest on such bonds. Such tax is in addition to the Contract Tax. See “THE PARTICIPANTS – Contract Tax.”

The Master District (in its capacity as a Participant) and each of the other Participants have voted bonds for purposes of providing internal water, wastewater, drainage, road, and park and recreational facilities within their respective boundaries.

See “APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS” for a description of the voter authorized bonds, principal amount of bonds issued (if any) and principal amount of bonds outstanding for each Participant.

Operations

Each Participant has or will construct internal water, wastewater, and drainage facilities, and may also construct internal road and park and recreational facilities, within its respective boundaries. Pursuant to the Master District Contract, each Participant is required to purchase potable water from the Master District and sell such water to its customers, and collect domestic wastewater from its customers, which the Master District provides for the treatment and discharge of the wastewater. The Master District has a Utility Contract (herein defined) with SPMUD1 whereby SPMUD1 owns and operates the regional water and sanitary system systems, excluding the interim wastewater treatment plant. See “MASTER DISTRICT FACILITIES – Water Supply” and “MASTER DISTRICT FACILITIES – Wastewater Treatment.” Each Participant sets its own retail rates for water distribution and wastewater collection services, and is required by the Master District Contract to do so at a level which will produce sufficient revenue to pay operating and maintenance charges of the Master District, to pay other costs of operating and maintaining its own System (herein defined), and, together with tax revenues, to pay its Contract Payments. The Master District does not expect that revenues from Participants’ retail charges will ever be sufficient to pay a significant portion of Contract Payments for application to debt service on the Contract Revenue Bonds, including the Bonds.

Contract Taxes

The Master District has the authority to issue Contract Revenue Bonds, including the Bonds. Each Participant’s pro rata share of the debt service requirements on the Contract Revenue Bonds shall be determined by dividing each Participant’s Gross Certified Assessed Valuation by the total of all Participants’ Gross Certified Assessed Valuation, calculated annually. Calculation of Contract Payments, including the Contract Payments, is based upon the Gross Certified Assessed Valuation and does not make allowances for any exemptions granted by the Participant’s however, allowances are made for exemptions provided under State law that do not require action by the Participants. See “TAXING PROCEDURES.” The Master District Contract obligates each Participant to pay its pro rata share of debt service requirements on the Contract Revenue Bonds from the proceeds of annual Contract Taxes without legal limit as to rate or amount, from revenues derived from the operation of its water distribution and wastewater collection systems, or from any other legally available funds. The Master District does not expect that revenues from the Participants’ wastewater collection and water distribution systems will ever be sufficient to pay a significant portion of the Contract Payments for application to debt service on the Contract Revenue Bonds, including the Bonds. The debt service requirement shall include principal, interest, and redemption requirements on the Contract Revenue Bonds, paying agent/registrar fees, and all amounts necessary to establish and maintain funds established under a bond resolution. Through its Utility Contract with the Master District, SPMUD1 has the authority to levy an additional contract tax on the Participants. See “MASTER DISTRICT CONTRACTS WITH SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 1.”

The Participants’ Internal Facilities Tax (herein defined) may not be less than the City’s ad valorem tax rate without City consent. See “THE PARTICIPANTS – Annexation – Strategic Partnership Agreements.”

Maintenance and Operations Tax

The Participants have the authority to levy and collect an annual ad valorem tax for the operation and maintenance of facilities. A maintenance and operations tax is in addition to taxes which the Participant is authorized to levy for paying principal of and interest on its unlimited tax bonds and the Contract Tax. See “THE PARTICIPANTS – Contract Tax.”

Annexation – Strategic Partnership Agreements

Under existing Texas law, since the Master District and each of the Participants lie wholly within the extraterritorial jurisdiction of the City, each Participant must conform to a City consent ordinance. The

Participants and the City have entered into Strategic Partnership Agreements that govern the terms of annexation. The Master District may not be annexed until all Participants are annexed. Under Texas law, the City cannot annex territory within a district unless it annexes the entire district. Pursuant to the Strategic Partnership Agreement, which sets forth the terms of full purpose annexation, the City will not annex the property in a Participant until (i) at least 95% of the developable acreage within the Participant 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. If a Participant is annexed, the City will assume the Participant's assets and obligations (including the Participant's obligation under the Master District Contract) and dissolve the Participant within ninety (90) days. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the Master District makes no representation that the City will ever annex the Master District or any Participant and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

The Strategic Partnership Agreements allow for annexation for certain limited purposes, such as the provision of certain municipal services. If such limited purpose annexation were to occur, the District would continue to retain all of its rights, powers, and authority, except as to the City's right to provide certain services.

In the Strategic Partnership Agreement, the City and Participants agreed that a component of the Participants' tax rate is for the Contract Tax Payments pursuant to the Master District Contract; and the other component of the Participants' tax rate is to administer, operate, and maintain the internal Master District facilities (the "Internal Facilities Tax"). To the extent permitted by law, the Participants agree that for so long as they have debt outstanding, the Internal Facilities Tax will never be less than the City's ad valorem tax rate, unless specifically, consented to by the City.

Consolidation

The Master 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 Master District System Facilities) and liabilities (such as the Bonds), with the assets and liabilities of a district with which it is consolidating. Although no consolidation is presently contemplated by the Master District, no representation is made concerning the likelihood of consolidation in the future.

Management

Each Participant is governed by a board of directors, consisting of five (5) members, which has control and management of all affairs of such Participant. Directors of each Participant are elected by the voters within that Participant to serve four-year staggered terms. All such directors reside or own property within the Participant on whose board they serve. None of the Participants have any employees. Each Participant contracts for all services required to maintain its operations. The TCEQ exercises continuing supervisory jurisdiction over each Participant, and, in addition, operation of each Participant's water, wastewater, and drainage facilities is subject to regulation by other agencies.

Financial Data

See "APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS" for financial information for each Participant.

MASTER DISTRICT CONTRACT

The Master District (in its capacity as a Participant) and the other Participants have executed the Master District Contract with the Master District for the financing, operation, and maintenance of the regional facilities described below and obtained the approval of the Master District Contract from voters at elections held within their respective boundaries. The Master District, in its capacity as the provider for the Master District Facilities, will construct the Master District Facilities and provide services from those Master District Facilities.

The Master District Contract provides that all Participants shall pay a pro rata share of debt service on the Contract Revenue Bonds, including the Bonds, based upon each Participant's Gross Certified Assessed Valuation as a percentage of the Gross Certified Assessed Valuation of all the Participants, calculated annually. Calculation of the Contract Payment is based upon Gross Certified Assessed Valuation and does not make allowances for any exemptions granted by the Participants. Each Participant is obligated to pay its pro rata

share of the annual debt service payments from the proceeds of annual ad valorem property taxes, including the Contract Tax, without legal limit as to rate or amount, revenues derived from the operation of its water distribution and wastewater collection system or from any other legally available funds. The Contract Tax shall be calculated to include the charges and expenses of paying agents and registrars utilized in connection with the Contract Revenue Bonds, including the Bonds, the principal, interest and redemption requirements of the Contract Revenue Bonds and all amounts required to establish and maintain funds established under the applicable bond resolution. The Contract Tax also includes each Participant's share of the debt service on bonds issued for the permanent wastewater treatment plant currently under construction by SPMUD1. See "MASTER DISTRICT CONTRACT WITH SPMUD1." Each Participant's Contract Payment will be calculated annually by the Master District; however, the levy of a Contract Tax or the provisions of other funds to make its contract payments is the sole responsibility of each Participant.

The Master District Contract also provides for operation and maintenance expenses for facilities constructed pursuant to the Master District Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions.

The Master District is the financing vehicle for all Master District Facilities and will own and operate all Master District System Facilities (except for roadways that are accepted by the County for operation and maintenance), Master District Park Facilities, and Master District Fire Facilities. However, pursuant to the Utility Contract, SPMUD1 owns and operates the Master District System Facilities, except for the interim wastewater treatment plant to serve the Service Area. Each Participant (including the Master District in its capacity as provider of internal facilities to serve the acreage within the Master District's boundaries) will own and operate its internal facilities. The internal facilities are expected to be financed with unlimited tax bonds sold by each of the Participants. It is anticipated that the Master District Facilities will be constructed in stages to meet the needs of a continually expanding population within the Service Area. In the event that the Master District fails to finance or SPMUD1 fails to meet its obligations to provide Master District System Facilities as required by the Service Area, each Participant has the right pursuant to the Master District Contract to design, acquire, construct, or expand the Master District System Facilities needed to provide it with service.

Each Participant is further obligated to pay monthly charges to the Master District, for water and wastewater services rendered pursuant to the Master District Contract. The Master District pays monthly charges to SPMUD1 for its share of operation and maintenance expenses and payments to SPMUD1 for its pro rata share of debt service on bonds issued for the permanent wastewater treatment plant. See "MASTER DISTRICT CONTRACT WITH SPMUD1." The monthly charges to be paid by each Participant to the Master District will be used to pay its share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. Each Participant's share of operation and maintenance expenses is based upon a "unit cost" of operation and maintenance expense, calculated by the Master District (taking into account charges by SPMUD1) and expressed in terms of "cost per equivalent single-family residential connection." Each Participant's monthly payment to the Master District for operation and maintenance expenses will be calculated by multiplying the number of ESFCs reserved to it on the first day of the previous month by the unit cost per ESFC. The monthly cost per ESFC being charged by the Master District to each Participant presently is \$32.58 for water and wastewater services and \$21.50 for firefighting services.

Pursuant to the Master District Contract, each Participant is obligated to establish and maintain rates, fees and charges for its water and wastewater services which, together with taxes levied and funds received from any other lawful sources, are sufficient at all times to pay operation and maintenance charges of the Master District, to pay other costs of operating and maintaining its own utility system, and to pay its obligations pursuant to the Master District Contract, including its Contract Payments. The Master District does not expect that revenues from the Participants' wastewater collection and water distribution systems will ever be sufficient to pay a significant portion of Contract Payments for application to debt service on the Contract Revenue Bonds, including the Bonds. All sums payable by each Participant to the Master District pursuant to the Master District Contract are to be paid by such Participant without set off, counterclaim, abatement, suspension or diminution. If any Participant fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District's facilities by such Participant in addition to the Master District's other remedies pursuant to the Master District Contract. As a practical matter, the

Participants have no alternative provider of the water and wastewater services rendered by the Master District under the Master District Contract. See "THE BONDS – Source of Payment."

Pursuant to the Master District Contract, the Master District owns or will own, construct and/or acquire the Master District Park Facilities. The Master District intends to finance the capital costs of Master District Park Facilities from payments made by each Participant, including the Master District, of its pro rata share of the Master District's then estimated Park Construction Charges. The Park Construction Charges will be computed from time to time on the basis of the then estimated total capital costs of providing the Master District Park Facilities for the Service Area minus the payments which have been previously received from the Participants as Park Construction Charges and dividing the result by the number of projected total connections to be constructed within the Service Area. In no event shall the total or Park Construction Charges paid by any Participant under the Master District Contract exceed one percent (1%) of that Participant's certified appraised valuation.

All Park Construction Charges received by the Master District shall be deposited into the Park Construction Fund and shall be used solely for the purpose of paying the capital costs of the Master District Park Facilities pursuant to the Master District Contract.

Each Participant is obligated severally, but not jointly, to make contract payments to the Master District in an amount sufficient to pay its debt service requirements on contract revenue bonds. At the delivery of the Bonds, the Master District will have \$36,855,000 principal amount of contract revenue bonds outstanding (inclusive of the Bonds). In addition, at the delivery of the Bonds, SPMUD1 will have \$24,740,000 principal amount of contract revenue bonds outstanding, \$12,695,000 principal amount of which is attributable to the Master District (on behalf of the Participants). No Participant is obligated, contingently or otherwise, to make any contract payments owed by any other Participant; however, lack of payment by any Participant could result in an increase in the contract payment amount paid by each of the other Participants.

MASTER DISTRICT CONTRACT WITH SPMUD1

The Master District, as a Participant, and the other Participants entered into the SPMUD1 Agreement. The SPMUD1 Agreement includes other participating districts that are not part of the Service Area. The participants in the SPMUD1 Agreement pay a connection charge to SPMUD1 based on its pro rata share of the regional facilities in order to obtain water and wastewater service. The participants in the SPMUD1 Agreement also pay monthly operation charges to SPMUD1 for their pro rata share of operation and maintenance expenses. SPMUD1 has limited authority to issue contract revenue bonds with the consent of all the participating districts: SPMUD1 may only issue contract revenue bonds for acquisition, construction or improvement of (1) surface water facilities; (2) a regional facility to comply with any regulatory requirement; (3) payment of extraordinary expenses of repairing or maintaining the regional facilities; or (4) a permanent wastewater treatment plant.

In 2009, the Master District (on behalf of the Participants) entered into the Utility Contract (herein defined) with SPMUD1 for the purposes of amending and supplementing the SPMUD1 Agreement. Pursuant to the terms of the Utility Contract, the parties agreed that the Master District will construct and finance the regional water, wastewater, and drainage facilities that serve the Service Area. Once constructed, the Master District will convey the regional water, wastewater, and drainage facilities (other than interim wastewater treatment facilities) to SPMUD1 for ownership, operation, and maintenance. Upon conveyance, the Master District is not obligated to pay connection charges in order to receive water and wastewater service from SPMUD1. The Master District will pay monthly operations charges to SPMUD1 on behalf of the Participants for their pro rata share of operation and maintenance expenses and its pro rata share of debt service on the bonds issued by SPMUD1. The Master District currently has purchased capacity in water plants owned by SPMUD1, but owns and operates an interim wastewater treatment plant. SPMUD1 has started construction on a regional wastewater treatment plant, which will treat the wastewater of the Service Area. In May 2018, SPMUD1 issued \$25,010,000 principal amount of contract revenue bonds through the Texas Water Development Board for the construction of permanent wastewater capacity to serve Sienna. Of the \$25,010,000 principal amount issued, \$12,695,000 principal amount is attributable to the Master District (on behalf of the Participants), of which the Master District is contractually obligated to pay its pro rata share of the annual debt service. At the delivery of the Bonds, \$12,695,000 principal amount of the Master District's obligation will remain outstanding. See "MASTER DISTRICT CONTRACT."

THE MASTER DISTRICT

Management of the Master District

The Master District is governed by the Board, consisting of five directors, who have control over and management supervision of all affairs of the Master District. None of the present members of the Board reside within the Master District; however, they each own parcels of land within the Master District, subject to a note and a deed of trust. 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:

<u>Name</u>	<u>Title</u>	<u>Term Expires May</u>
Mark Kilkenny	President	2024
Joe Price	Vice President	2024
Lisa Kinzel	Secretary	2022
Gary Ross	Assistant Vice President	2024
Douglas Earle	Assistant Secretary	2022

Consultants

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

Tax Assessor/Collector: The tax assessor/collector for the Master District is Esther Buentello Flores of Tax Tech, Inc., Houston, Texas (the "Tax Collector/Assessor"). The Fort Bend Central Appraisal District (the "Appraisal District") is responsible for the determination of the assessed valuations throughout the County, including the Service Area.

Bookkeeper: The Master District's bookkeeper is Municipal Accounts & Consulting, L.P., Houston, Texas.

System Operator: The Master District's operator is Si Environmental, LLC, Houston, Texas.

Auditor: As required by the Texas Water Code, the Master District retains an independent auditor to audit the Master District's financial statements annually, which annual audit is filed with the TCEQ. The Master District engaged McGrath & Co., PLLC, Houston, Texas, as its auditor (the "Auditor") for the fiscal year ended April 30, 2020. See "APPENDIX B – FINANCIAL STATEMENTS OF THE PARTICIPANTS."

Engineers: The Master District's engineer is Costello, Inc., Houston, Texas (the "Master District Engineer"). The Participants internal design engineer is LJA Engineering, Inc., Houston, Texas (the "Internal Design Engineer").

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

Disclosure Counsel: Orrick, Herrington & Sutcliffe LLP, Houston, Texas, has been designated as disclosure counsel ("Disclosure Counsel"). The fees of Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor: Robert W. Baird & Co. Incorporated, Houston, Texas, is engaged as the financial advisor (the "Financial Advisor") to the Master 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.

Master District Name Change

The Master District has filed an application with the TCEQ to change its name to “Sienna Municipal Utility District No. 5.” The TCEQ is currently reviewing the application, and the Master District anticipates receiving approval from the TCEQ in 2020.

The Service Area

The Service Area contains approximately 3,424 acres, including a total of approximately 31.72 acres in the Master District. This approximate 3,424 acres of land is comprised of the land within the Master District, SPMUD4, SPMUD6, and SPMUD7. The Master District (in its capacity as a Participant), SPMUD4, SPMUD6, and SPMUD7 have entered into the Master District Contract with the Master District. Pursuant to the Master District Contract, the Master District is obligated to provide the Master District Facilities to serve the land in the Master District, SPMUD4, SPMUD6, and SPMUD7. The Service Area is located in the County, approximately 23 miles from the central business district of Houston. The Service Area lies within the Fort Bend County Independent School District.

The Service Area is part of “Sienna” (formerly Sienna Plantation), an approximate 10,230 acre master-planned community. The Service Area does not include the adjacent Sienna community developed by Johnson Development Corp. (“JDC”) including Sienna Plantation Municipal Utility District Nos. 1, 2, 3, 10, 12, and Sienna Plantation Management District.

Status of Development Within the Service Area

To date, development within the Service Area has occurred within the boundaries of SPMUD4 and SPMUD6. Within the Service Area, approximately 855.3 acres (1,761 lots) have been developed into the single-family subdivision of Village of Sawmill Lake Sections 1-6, 6B, 7, 7B, 7C, 8, 9, 9B, 10-12, 13A, 13B, 14, 15A, 15B, 16, 17A, 17B&C, 18, and 20-25 within SPMUD4 and approximately 97.2 acres (303 lots) have been developed into the single-family subdivision of Village of Sienna Oaks Sections 14, 27, 31, 33A, and 40A within SPMUD6. As of August 1, 2020, 1,601 homes were complete (1,524 occupied, 67 unoccupied, and 10 model homes), 169 homes were under construction, and 294 lots were developed and vacant. Additionally, approximately 53.9 acres (165 lots) are currently under development as the single-family subdivision of Village of Sienna Oaks Sections 28, 34A, and 35A within SPMUD6.

In addition, a daycare, six (6) grade schools, a CVS Pharmacy drugstore, and a church have been constructed within the Service Area.

HOMEBUILDERS ACTIVE WITHIN THE SERVICE AREA

Homebuilders active within the Service Area include Toll Brothers, Westin Homes, Meritage Homes, Jamestown Estates Homes, Perry Homes, Chesmar Homes, Newmark Homes, Gracepoint Homes, M/I Homes, Lennar Homes, MHI Homes, Trendmaker Homes, David Weekley Homes, and Shea Homes. Homebuilding began in SPMUD4 in early 2015 and in SPMUD6 in early 2019. The homes in SPMUD4 and SPMUD6 range in size from approximately 1,600 square feet to over 6,500 square feet. Homes in SPMUD4 and SPMUD6 are being sold in the price range of approximately \$260,000 to over \$980,000.

DESCRIPTION OF THE DEVELOPER

Role of the Developer

In general, the activities of a developer in a municipal utility district such as the Master District include purchasing the land within the Master District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, 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) 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 the property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. 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 ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

Principal Landowner/Developer

The developer of land within the Service Area is Toll-GTIS Property Owner, LLC (the "Developer"), which is a joint venture between Toll Brothers, Inc. ("Toll Brothers") and GTIS Partners ("GTIS"). Johnson SS Management LLC, an affiliate of JDC, has been hired as fee developer for the Developer. The Developer purchased the land within the Service Area in January 2014. Toll Brothers, Inc. is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for Toll Brothers, Inc. can be found online at www.tollbrothers.com/investor_relations. Toll Brothers, Inc. is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by Toll Brothers can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC. GTIS is a real estate private equity firm located in New York, NY. GTIS was founded in 2005 and has approximately \$3.2 billion in assets under management. GTIS has invested in residential, retail, industrial, office, hotel, and mixed-use projects in the United States and Brazil.

The Developer is a joint venture between Toll Brothers and GTIS. The Developer is responsible for paying taxes on property it owns and any other obligations. Neither Toll Brothers nor GTIS, as partners in the joint venture, are obligated to make any payments on behalf of the Developer. Further, neither the Developer, Toll Brothers, nor GTIS is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the Master District, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer, Toll Brothers, nor GTIS has any legal commitment to the Master District or owners of the Bonds to continue development of the land within the Service Area and the Developer may sell or otherwise dispose of its property within the Service Area, or any other assets, at any time. Further, the financial condition of the Developer, Toll Brothers, and GTIS is subject to change at any time. Because of the foregoing, financial information concerning the Developer, Toll Brothers, and GTIS will neither be updated nor provided following issuance of the Bonds, except as described herein under "CONTINUING DISCLOSURE OF INFORMATION."

Development Agreement

A prior owner of the land within the Service Area entered into the Eighth Amendment. The Eighth Amendment modifies the terms of the original Sienna Plantation Joint Development Agreement (entered into in February 19, 1996) as it pertains to the land now owned by the Developer (referred to in the Eighth Amendment as "Tract B" but referred to herein as the Service Area); and clarifies that unless expressly set forth in the Eighth Amendment, none of the terms of the preceding seven amendments are applicable to the development of the Service Area. Thus, the Development Agreement are the only terms that remain in full force and effect as to the Developer's development of land within the Service Area.

The Development Agreement was assigned to the Developer on December 10, 2013. The Development Agreement stipulates the City's regulatory authority over the development of Sienna, establishes certain restrictions and commitments related to the development of the Service Area, sets forth detailed design and construction standards, stipulates a formula for determining the timing of annexations of land within the Service Area by the City, sets forth utility development standards, and identifies and establishes a master plan for the development of the Service Area. The Development Agreement limits the number of residential units within the Service Area to 10,000 with no more than 220 acres of commercial development. Any material deviation from the terms of the Development Agreement by the Developer may be considered a breach of the Development Agreement by the Developer and may adversely affect development of the Service Area.

In the Development Agreement, the City agrees not to annex the property in a Participant before such time as (i) at least 95% of the developable acreage within the Participant has been developed with water, wastewater, and drainage facilities; and (ii) the Developer has been reimbursed to the maximum extent

permitted by the rules of the TCEQ, or the City assumes any obligation for such reimbursement. In addition, the Development Agreement permits, upon the City's sole discretion, for the existence of limited districts after annexation for the limited purposes of, among other things, making payments for the debt service requirements of the Participant, or maintaining any facilities not accepted by the City.

MASTER DISTRICT FACILITIES

General – The System

The internal water, wastewater, and drainage facilities are being provided by the Participants. Water supply, and major trunk water lines, wastewater collection and regional storm sewer facilities are being provided pursuant to an agreement between the Master District and SPMUD1. Interim wastewater treatment is being provided by the Master District, while the ultimate permanent wastewater treatment will be provided by SPMUD1. All of such water, wastewater, and drainage facilities are referred to herein as the "System." The Master District will finance, own, and operate all of the Master District Road Facilities, Master District Fire Facilities, and Master District Park Facilities (except those conveyed to SPLID). The Master District, pursuant to the Master District Contract, has the responsibility to finance such regional facilities necessary to serve the Service Area, and will convey such facilities to SPMUD1 upon completion (with the exception of the interim wastewater treatment plant). See "MASTER DISTRICT CONTRACTS WITH SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 1." SPMUD1 owns and operates all regional facilities that serve Sienna. Flood protection and certain storm water drainage facilities are being provided by SPLID.

Regulation

Construction and operation of the System as it now exists or as it may be expanded from time to time is subject to the regulatory jurisdiction of several Federal, Texas, and local authorities. The TCEQ exercises continuing supervisory authority over the Master District. Discharge of treated sewage and storm water 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 the County, and, in some instances, SPLID, the TCEQ, and the U.S. Army Corps of Engineers. The City and the County also exercise regulatory jurisdiction over the System.

Water Supply

The Service Area's source of water supply is surface water from the City through SPMUD1. Pursuant to the Groundwater Reduction Plan, of which SPMUD1 is a participant, the City has become the permitted entity for water supply. The City owns and operates a 10,000,000 gallons per day ("gpd") surface water plant located within Sienna. In addition, SPMUD1 has an emergency interconnect with the City.

SPMUD1 owns and operates Sienna Plantation Water Plant Nos. 1, 2 and 3, which currently consist of five (5) wells totaling 5,900 gallons per minute ("gpm"), 3,872,000 gallons of ground water storage tank capacity, 280,000 gallons of hydropneumatic tank capacity, 25,257 gpm of booster pump capacity, an auxiliary diesel-powered generator at each site, and related appurtenances. Currently, such plants are rated to serve 16,000 equivalent single-family residential connections ("ESFCs"). As of August 1, 2020, SPMUD1 was serving approximately 10,269 active non-irrigation ESFCs, which is sufficient to serve the Service Area. However, future expansions to the water supply system will be necessary to serve the ultimate build-out of Sienna.

Wastewater Treatment

Currently, Sienna is split into three interim wastewater treatment regions, the North, Central and South regions. While SPMUD1 provides wastewater treatment to the North and Central regions, the Master District supplies the South region, including the Service Area. Such service is supplied by the Master District through the operations of a 600,000 gpd interim wastewater treatment plant ("WWTP") to serve the Service Area (sufficient to serve 2,666 ESFCs at 225 gpd/ESFC). As of August 1, 2020, the plant was serving 1,384 active ESFCs, therefore there is sufficient capacity to serve the Service Area.

In May 2018, SPMUD1 issued \$25,010,000 principal amount of contract revenue bonds through the Texas Water Development Board for the construction of permanent wastewater capacity to serve Sienna. The Participants, pursuant to the Master District Contract, are responsible for their pro rata share of such bonds. Of the \$25,010,000 principal amount issued, \$12,695,000 principal amount is attributable to the Master District (on behalf of the Participants), of which the Master District is contractually obligated to pay its pro rata share of the annual debt service. At the delivery of the Bonds, \$12,695,000 principal amount of the Master District's obligation will remain outstanding. See "MASTER DISTRICT CONTRACT."

In June 2018, SPMUD1 began construction of a 1,800,000 gpd permanent WWTP to serve the Central and South regions (the "South WWTP"). Upon completion, the South WWTP will have the capacity to serve approximately 8,500 ESFCs. Construction is anticipated to be complete in the fourth quarter of 2020.

Master District Road Facilities

The Master District, in its capacity as the provider of the Master District Road Facilities, will construct the Master District Road Facilities. The major thoroughfares and collectors consist of stabilized curb and gutter, 7-inch and 8-inch concrete pavement and include bridges that serve the Master District.

All roadways are designed and constructed in accordance with the standards, rules and regulations of the County and the City. The County will accept the Master District Road Facilities for operating and maintenance and is responsible for operation and maintenance thereof. In the event the County were to fail to accept the Master District Road Facilities, the Master District is expected to include the cost of maintenance of same in the Master District's operation and maintenance expenses to be shared by the Participants in accordance with the Master District Contract, and such cost could be significant.

The County is requiring repairs and replacement of paving for certain Master District roads within the Master District, and such roads have not been accepted into the County's road maintenance program. Until acceptance by the County, the Master District and/or Developer are responsible for maintenance costs of those roads and any additional repairs required to allow County acceptance of such roads. The Master District has used and may further use its surplus bond proceeds to make required repairs. The Master District cannot predict the extent or costs of future paving repairs required by the County, nor the availability of bond funds or other Master District funds to pay for paving repairs.

Fire Protection

Pursuant to a contract between the Participants and the City, fire protection to the Service Area is provided by the Missouri City Fire Department from an 8,400 square foot fire station located on Sienna Parkway. The Participants pay the City a monthly fee for such services. A second 7,700 square foot fire station has been constructed and is located along Waters Lake Boulevard. This fire station became operational on July 1, 2015, and residents currently pay \$21.50 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 the County and Fort Bend County Drainage District ("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. The County and FBCDD design standards require homes to be built with foundational slabs at least two feet 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 (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 County and FBCDD design standards, and the geographical area within the Service Area 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. On January 1, 2020, the County adopted Atlas 14 criteria for all new development within the County. However, existing development was exempt from these requirements.

The Flood Protection System and homes in the Service Area 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 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 SFHA, any 100-year flood event meeting Atlas 14 estimates would be unlikely to result in structural flooding of any buildings and facilities within the Service Area (i.e. based on the current state of the 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 SPLID is equally protected by the Flood Protection System. While all structures within SPLID have been built to the design standards in effect at the time of their construction, some structures within SPLID will always be at greater risk of structural flooding as compared to others.

Although flooding in SPLID, including the Service Area, could occur for a variety of reasons, SPLID’s engineer has identified the three most likely flooding scenarios that could occur within SPLID: (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 “RISK FACTORS – Possible Flooding Events.”

Flood Protection, Reclamation and Drainage Facilities

Approximately 9,832 of Sienna’s approximate 10,230 acres are located within 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 covers approximately 6,465 acres of land (the “South Levee System”), including the Service Area. The original 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 the South Levee System 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, 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.

As discussed under “RISK FACTORS – Recent Extreme Weather Events,” the area within the South Levee System has experienced inundation related to rain and rain events. SPLID has undertaken several projects to prevent future flooding events. Among the projects that have been completed to serve the South Levee System are (1) expansion of several drainage channels, which will provide additional storage in the case of a high rain event, (2) additional back-up control gates to major outfalls and (3) the purchase of mobile pumps to aid in flood-fighting. In addition to these projects, SPLID has initiated a capital improvement plan (the “CIP”) to address the high river and flooding events that have impacted its protection area. The CIP sets out to strengthen SPLID’s protections through additional facilities and redundancies to make the existing facilities more resilient. See “THE FLOOD PROTECTION SYSTEM – Construction of Future Internal Drainage Facilities.”

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” and “THE FLOOD PROTECTION SYSTEM– Construction of Future Internal Drainage Facilities.”

Sienna North Levee and Drainage System – SPLID’s Amended Plan of Reclamation covers approximately 2,516 acres of land (the “North Levee System”). The original construction 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 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 North Levee 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 “– Design Standards and Atlas 14” above.

The North Levee System has experienced unanticipated water infiltration in the past. See “RISK FACTORS – Recent Extreme Weather Events.” 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 as well as provide the required pumping capacity for Brazos River events when the gates are closed, SPLID has constructed two 100,000 gpm pump stations to serve the North Levee 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 North Levee System as generally described under “THE FLOOD PROTECTION SYSTEM – Construction of Future Internal Drainage 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 SPLID the marketing of homes and the future growth of property values in SPLID could be adversely affected.

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 acceptable criteria levels. SPLID’s original development plans contemplated that as development continued in SPLID, the Participants, the municipal utility districts within the boundaries of SPLID, and/or developers within SPLID would construct additional pump stations, detention facilities and outfall drainage facilities to maintain water surface elevations at acceptable criteria levels. While these development plans remain in place, following Hurricane Harvey and partially in response to new data provided by Atlas 14, the Participants modified their 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 SPLID’s development plans on the mitigation of future flooding events, see “RISK FACTORS – Possible Flooding Events.” While not an exhaustive list, SPLID is currently undertaking the following major projects to protect the land within its boundaries:

Storm Water Pump Station: SPLID is currently constructing an additional water pumping station to serve the South Levee System. Such pumping station will provide additional capacity to remove water from within the levee in the event that the area within South Levee System is experiencing a high rain event while the outfall gates are closed due to a high river event. Upon completion of the pump station, the South Levee System will be served by two pump stations with a combined pumping capacity of 529,500 gpm. The pump station is anticipated to be complete in late 2020.

Additional Control Gates: SPLID is currently installing 25 additional control gates (19 of which serve the South Levee System) to protect the Flood Protection System in case of a high river event. The control gates will be installed from late 2020 to mid-2021.

Outfall Structure: SPLID is currently designing its third major outfall structure, which will serve the South Levee System. Such outfall structure will allow for additional water to flow out of the South Levee System

area during a heavy rain event, when the control gates are open. The structure is needed to comply with the additional standards put in place due to Atlas 14. The outfall structure is anticipated to be complete in 2022.

Detention Pond Expansion: SPLID is designing a detention pond to provide additional capacity to serve the South Levee System. Such facility will assist SPLID in a high rain event. Completion is anticipated in 2022.

SPLID, nor the Participants, make guarantee that such improvements will prevent any future flooding events occur within its boundaries. Additionally, the Participants make no representations regarding the timing of completion for any of the projects outlined above.

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MASTER DISTRICT DEBT

General

The following tables and calculations relate to the Bonds. The Master District, the Participants, and various other political subdivisions of government which overlap all or a portion of the Master District and the Participants are empowered to incur debt to be raised by taxation against all or a portion of the property within the Master District and the Participants.

Master Direct Debt:

The Outstanding Bonds (at the Delivery of the Bonds)	\$ 24,855,000
The System Bonds	6,000,000
The Road Bonds	<u>6,000,000</u>
Total Direct Debt	<u>\$ 36,855,000</u>

Estimated Overlapping Debt.....	120,407,466 (a)
Total Direct and Estimated Overlapping Debt	<u>\$ 157,262,466</u>

Contract Revenue System Debt Service Fund Balance (as of August 3, 2020)	\$ 902,265 (b)(d)(e)
Contract Revenue Road Debt Service Fund Balance (as of August 3, 2020)	\$ 663,905 (c)(d)(e)

- (a) See "MASTER DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
- (b) Neither Texas law nor the System Bond Resolution requires that the Master District maintain any particular sum in the Contract Revenue System Debt Service Fund. Money deposited into the Contract Revenue System Debt Service Fund can only be used to pay debt service on the Contract Revenue System Bonds, such as the System Bonds. In addition, accrued interest on the System Bonds will be deposited into the Contract Revenue System Debt Service Fund upon delivery of the System Bonds.
- (c) Neither Texas law nor the Road Bond Resolution requires that the Master District maintain any particular sum in the Contract Revenue Road Debt Service Fund. Money deposited into the Contract Revenue Road Debt Service Fund can only be used to pay debt service on the Contract Revenue Road Bonds, such as the Road Bonds. In addition, accrued interest on the Road Bonds will be deposited into the Contract Revenue Road Debt Service Fund upon delivery of the Road Bonds.
- (d) Funds deposited into the Contract Revenue System Debt Service Fund are not pledged to the Contract Revenue Road Bonds, such as the Road Bonds, nor are funds deposited into the Contract Revenue Road Debt Service Fund pledged to the Contract Revenue System Bonds, such as the System Bonds.
- (e) Each Participant is obligated to pay a pro rata share of debt service on the Contract Revenue Bonds by the dates specified by the Master District. See "THE BONDS – Contract Payments by the Participants," "THE BONDS – Unconditional Obligation to Pay," and "MASTER DISTRICT CONTRACT."

Assessed Valuations of the Participants

Participant	2020 Gross Certified Assessed Valuation (a)	Percent of Total	Estimated Gross Assessed Valuation as of August 1, 2020 (b)	Percent of Total
SPMUD4 (c)	\$ 560,618,013	91.98%	\$ 607,894,864	89.86%
SPMUD5	473,390	0.08%	473,390	0.07%
SPMUD6 (d)	33,416,257	5.48%	53,140,895	7.86%
SPMUD7	<u>14,997,225</u>	<u>2.46%</u>	<u>14,997,225</u>	<u>2.22%</u>
Total	<u>\$ 609,504,885</u>	<u>100.00%</u>	<u>\$ 676,506,374</u>	<u>100.00%</u>

- (a) Represents the assessed valuation of all taxable property located within the Participant as of January 1, 2020, as provided by the Appraisal District. The Participant's tax roll is certified by the Appraisal Review Board (herein defined). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the value of all taxable property located within the Participant as of August 1, 2020, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2020, through August 1, 2020. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Such amount includes \$11,074,592 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board. Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board.
- (d) Such amount includes \$54,264 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board. Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board.

Tax Rates of the Participants

The Participants pay contract payments to the Master District each March 1 and September 1 in equal amounts. The contract payment calculations for each Participant are based on the Participant's Gross Certified Assessed Valuation, as defined in the Master District Contract, and does not make allowance for any exemptions granted by the Participant. See "MASTER DISTRICT CONTRACT."

Participant	2020	2020	2020 Contract	Total 2020
	Debt Service Tax Rate (a)	Maintenance Tax Rate (a)	Tax Rate (a)	Tax Rate (a)
SPMUD4	\$ 0.585	\$ 0.125	\$0.340	\$ 1.050
SPMUD5 (b)	0.000	0.000	0.000	0.000
SPMUD6	0.630	0.070	0.350	1.050
SPMUD7 (b)	0.000	0.000	0.000	0.000

(a) Anticipated tax rate for the 2020 tax year.

(b) The Participant has not levied a tax rate to date, but intends to levy a tax rate at a future date. Until such time as SPMUD5 and SPMUD7 levy a Contract Tax, Contract Payments will be paid from operating funds advanced by the Developer. See "RISK FACTORS - Dependence on Major Taxpayers and the Developer."

Debt Ratios

	2020 Gross Certified Assessed Valuation of the Participants (a)	Estimated Gross Assessed Valuation of the Participants as of August 1, 2020 (b)
Direct Debt (c)	6.05%	5.45%
Total Direct and Estimated Overlapping Debt (c)	25.80%	23.25%

(a) Represents the assessed valuation of all taxable property located within all Participants as of January 1, 2020, as provided by the Appraisal District. Each Participant's tax roll is certified by the Appraisal Review Board. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the value of all taxable property located within all Participants as of August 1, 2020, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2020, through August 1, 2020. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."

(c) Includes the Bonds.

Estimated Direct and Overlapping Debt Statement

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the Participants and the estimated percentages and amounts of such indebtedness attributable to property within the Participants. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports prepared by the Municipal Advisory Council of Texas. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes.

Taxing Jurisdiction	Outstanding Debt as of July 31, 2020	Estimated Overlapping Debt	
		Percent	Amount
The County	\$ 642,587,527	0.79%	\$ 5,097,858
Fort Bend Independent School District	1,138,398,767	1.34%	15,274,446
SPMUD1 (a)	12,695,000	100.00%	12,695,000
SPMUD4 (b)	57,395,000	100.00%	57,395,000
SPMUD6 (c)	5,500,000	100.00%	5,500,000
SPLID (d)	165,345,000	14.78%	<u>24,445,162</u>
Total Estimated Overlapping Debt			<u>\$ 120,407,466</u>
The Master District (Total Direct Debt)			<u>\$ 36,855,000</u> (e)
Total Direct and Estimated Overlapping Debt			<u>\$ 157,262,466</u> (e)

- (a) In May 2018, SPMUD1 issued \$25,010,000 principal amount of contract revenue bonds through the Texas Water Development Board for the construction of a permanent wastewater plant to serve Sienna. Of the \$25,010,000 principal amount issued, \$12,695,000 principal amount is attributable to the Master District (on behalf of the Participants), of which the Master District is contractually obligated to pay its pro rata share of the annual debt service. At the delivery of the Bonds, \$12,695,000 principal amount of the Master District's obligation will remain outstanding.
- (b) SPMUD4 plans to issue \$14,570,000 principal amount of unlimited tax bonds in October 2020. Such bonds are included in SPMUD4's outstanding debt amount.
- (c) SPMUD6 plans to issue \$5,500,000 principal amount of unlimited tax bonds in October 2020. Such bonds are included in SPMUD6's outstanding debt amount.
- (d) SPLID plans to issue \$37,900,000 principal amount of unlimited tax bonds in October 2020. Such bonds are included in SPLID's outstanding debt amount.
- (e) Includes the Bonds.

**PHOTOGRAPHS TAKEN WITHIN THE SERVICE AREA
(SPMUD4 - August 2020)**



**PHOTOGRAPHS TAKEN WITHIN THE SERVICE AREA
(SPMUD6 - August 2020)**



TAXING PROCEDURES

Authority to Levy Taxes

Each Participant is authorized to levy a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within its boundaries in sufficient amount to pay the principal of and interest on any unlimited tax bonds issued by it, Contract Payments on the Contract Revenue Bonds, including the Outstanding Bonds and the Bonds, that the Master District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. Voters within each Participant have also authorized the levy of a maintenance and operations tax not to exceed \$1.500 per \$100 valuation for the operation and maintenance of water, wastewater, drainage, and park and recreational facilities and a maintenance and operations tax not to exceed \$0.250 per \$100 valuation for the operation and maintenance of road facilities.

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 Texas, including the Participants. 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 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 Participants. Such appraisal values will be subject to review and change by the Fort Bend Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the Participants in establishing its tax rolls and tax rate.

Property Subject to Taxation by the Participants

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 each Participant are subject to taxation by the Participants. Principal categories of exempt property include, but are not limited to: property owned by 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, each Participant 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 Participants may be required to offer such exemptions if a majority of voters approve same at an election. The Participants 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 Participants are authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the Participants' obligation to pay tax supported debt incurred prior to adoption of the exemption by such Participant. Furthermore, the Participants 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 valuation 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 valuation 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 valuation 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.

To date, none of the Participants have adopted a general residential homestead exemption or an exemption for persons 65 years of age and older.

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 valuation 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. None of the Participants have granted such an exemption for the 2020 tax year.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The Master District and the other Participants have never adopted a homestead exemption. See "TAX DATA - Exemptions."

Freeport Goods and Goods-in-Transit 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 Participants do 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 Participants 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 Participants have taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

The County may designate all or part of the area within the Participants as a reinvestment zone. Thereafter, the County and the Participants, 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 Participants, 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, the County has not designated any part of the area within the Participants as a reinvestment zone.

Valuation of Property for Taxation

Generally, property within the Service Area 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 such Participant 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 valuation 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 Master District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

When requested by a local taxing unit, such as the Master District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are prorated for the year the disaster occurred. The taxing units assess taxes prior to the date the disaster occurred based upon market values as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property.

Participant and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the Participants) may appeal orders of the Appraisal Review Board by filing a timely petition for review in State 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 Participants 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

Each Participant is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of each Participant, after the legally required notice has been given to owners of property within each Participant, based upon: a) the valuation of property within the Participant 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 Participant 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 Participant 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 Participant, may be rejected by taxing units. The Participant'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 Maintenance and Operations 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 Participants' 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 maintenance and operations tax rate or on the percentage of build-out that the Participants have completed. Districts that have adopted a maintenance and operations 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 valuation 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 maintenance and operations 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 valuation 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 maintenance and operations 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 or the President, 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 maintenance and operations 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 valuation of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the maintenance and operations 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 maintenance and operations tax rate.

The District

The Master District has not yet levied a tax, so it has not yet made a determination of its status as a Special Taxing Unit, Developed District or Developing District. The Participants cannot give any assurances as to what its classification will be at any point in time or whether the Participants' future tax rates will result in a total tax rate that will reclassify the Participants into a new classification and new election calculation.

Participant's Rights in the Event of Tax Delinquencies

Taxes levied by each Participant 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 Participant, having the power to tax the property. The Participant'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 Participant 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 Participant 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 Participant 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

Contract Tax

The Master District has the authority to issue Contract Revenue Bonds. Each Participant's pro rata share of the debt service requirements on the Contract Revenue Bonds shall be determined by dividing each Participant's Gross Certified Assessed Valuation by the total of all Participants' Gross Certified Assessed Valuation, calculated annually. Calculation of the Contract Payments is based upon the Gross Certified Assessed Valuation and does not make allowances for any exemption granted by the Participants; however, allowances are made for exemptions provided under State law that do not require action by the Participants. See "TAXING PROCEDURES." The Master District Contract obligates each Participant to pay its pro rata share of debt service requirements on the Contract Revenue Bonds from the proceeds of annual unlimited Contract Taxes, from revenues derived from the operation of its water distribution and wastewater collection systems,

or from any other legally available funds. The debt service requirement shall include principal, interest and redemption requirements on the Contract Revenue Bonds, paying agent/registrars fees, and all amount necessary to establish and maintain funds established under the applicable bond resolution.

Debt Service Tax

Each Participant has the statutory authority to issue its unlimited tax bonds for the purpose of providing facilities to serve the land within its boundaries. Such bonds will be paid by a direct continuing annual ad valorem tax, without legal limit as to rate or amount, adequate to provide funds to pay the principal of and interest on such bonds. Such tax is in addition to Contract Taxes. See “APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS” for information related to each Participant’s historical tax data and authorized but unissued unlimited tax bonds. For the 2020 tax year, the Master District does not anticipate to levy a debt service tax rate.

Maintenance and Operations Tax

The Board of Directors of each Participant has the statutory authority to levy and collect an annual ad valorem tax for maintenance purposes, including, but not limited to, funds for planning, constructing, maintaining, repairing and operating all necessary land, plants, works facilities, improvements, appliances and equipment, if such maintenance and operations tax is authorized by a vote of the Participant’s electors. Such tax would be in addition to Contract Taxes and taxes levied for paying principal of and interest on any unlimited tax bonds which may be issued by the Participants. For the 2020 tax year, the Master District does not anticipate to levy a maintenance and operations tax rate. See “APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS” for the amount of voter authorized maintenance and operations tax for each Participant.

Tax Rate Limitation

Debt Service (a):	Unlimited (no legal limit as to rate or amount).
Maintenance and Operations:	\$1.50 per \$100 of assessed valuation.
Contract Taxes:	Unlimited (no legal limit as to rate or amount).
Road Maintenance:	\$0.25 per \$100 of assessed valuation.

(a) Pursuant to the Strategic Partnership Agreement, the Participants’ Internal Facilities Tax (combined debt service and maintenance and operations tax) will not be lower than the City’s ad valorem tax without City consent. See “THE PARTICIPANTS – Annexation.”

Analysis of Tax Base

The following represents the type of property comprising the 2020 tax rolls of each Participant as certified by the Appraisal District.

Type of Property	SPMUD4 2020 Gross Certified Assessed Valuation (a)	SPMUD5 2020 Gross Certified Assessed Valuation	SPMUD6 2020 Gross Certified Assessed Valuation (b)	SPMUD7 2020 Gross Certified Assessed Valuation
Land	\$ 148,331,786	\$ 471,300	\$ 37,642,447	\$ 15,151,595
Improvements	482,326,081	2,090	78,093,168	-
Personal Property	1,508,070	-	101,760	-
Exemptions	(82,622,516)	-	(82,475,382)	(154,370)
Total	\$ 549,543,421	\$ 473,390	\$ 33,361,993	\$ 14,997,225

(a) Such amount does not include \$11,074,592 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board. Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board.

(b) Such amount does not include \$54,264 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board. Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board.

Principal Taxpayers

The following are the principal taxpayers within the Service Area as shown on each Participant’s certified appraisal rolls for the 2020 tax year.

Taxpayer	Type of Property	Assessed Valuation 2020 Tax Roll
Toll-GTIS Property Owner LLC (a)	Land, Improvements, & Personal Property	\$ 33,271,495
Newmark Homes Houston LLC	Land, Improvements, & Personal Property	5,894,000
Toll Houston TX LLC (a)	Land, Improvements, & Personal Property	4,983,330
Chesmar Homes LLC	Land, Improvements, & Personal Property	4,514,900
Westin Homes and Properties LP	Land, Improvements, & Personal Property	3,502,050
2830 MP Investors	Land, Improvements, & Personal Property	3,195,930
Trendmaker Homes Inc.	Land, Improvements, & Personal Property	2,987,670
Shea Homes Houston LLC	Land, Improvements, & Personal Property	2,849,950
MHI Partnership LTD	Land, Improvements, & Personal Property	1,226,300
Jamestown Estate Homes LP	Land, Improvements, & Personal Property	<u>1,200,000</u>
Total		\$ 63,625,625

Percent of Respective Tax Roll 10.63 %

(a) See “DESCRIPTION OF THE DEVELOPER – Principal Landowner/Developer.”

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 Outstanding Bonds and the Bonds if no growth occurs beyond the 2020 Gross Certified Assessed Valuation of the Participants (\$609,504,885) and the Estimated Gross Assessed Valuation of the Participants as of August 1, 2020 (\$676,506,374). The calculations assume collection of 95% of taxes levied and the sale of the Bonds but not the sale of any additional bonds by the Master District. See “SELECTED FINANCIAL INFORMATION – Debt Service Requirement Schedule.”

Average Annual Debt Service Requirement (2020-2045)	\$ 1,997,550
Contract Tax Rate of \$0.35 on the 2020 Gross Certified Assessed Valuation Produces.....	\$ 2,026,604
Contract Tax Rate of \$0.32 on the Estimated Gross Assessed Valuation of the Participants as of August 1, 2020, Produces	\$ 2,056,579
Maximum Annual Debt Service Requirement (2041)	\$ 2,213,394
Contract Tax Rate of \$0.39 on the 2020 Gross Certified Assessed Valuation Produces.....	\$ 2,258,216
Contract Tax Rate of \$0.35 on the Estimated Gross Assessed Valuation of the Participants as of August 1, 2020, Produces	\$ 2,249,384

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Estimated Overlapping Taxes

Property within the Master District is subject to taxation by several taxing authorities in addition to the Participants. 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 a Participant 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 a Participant and of such other jurisdictions, 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 and the Participants are authorized to levy Contract Taxes. See "MASTER DISTRICT DEBT - Estimated Overlapping Debt Statements."

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2019 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions. The 2020 tax rates were not available as of the date of this Official Statement.

Taxing Jurisdictions	2019 Tax Rate Per \$100 of Assessed Valuation
The Participants (a)	\$ 1.050000
The County (b)	0.460000
Fort Bend Independent School District	1.270000
Fort Bend County Emergency Service District No. 7	0.100000
SPLID (c)	<u>0.450000</u>
Total	\$ 3.330000

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

(a) Anticipated tax rates for the 2020 tax year. Represents the highest tax rate for all the Participants.

(b) Includes \$0.015300 for FBCDD.

(c) Anticipated tax rate for the 2020 tax year.

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 Master District under the Constitution and laws of Texas, payable from Contract Tax Payments, 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, 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.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS (except for information under the subheadings "Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "THE PARTICIPANTS," "MASTER DISTRICT CONTRACT," "MASTER DISTRICT CONTRACT WITH SPMUD1," "TAXING PROCEDURES" "LEGAL MATTERS (as it relates to the opinion of Bond Counsel)," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (except for information under the subheading "Compliance with Prior Undertakings.") 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 and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the Master District or the Developer 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, Houston, Texas, also serves as general counsel to the Master 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 Master District will furnish the Initial Purchaser a certificate, executed by the President or Vice President of the Board and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds, the Master District Contract, restraining or enjoining the levy, collection and pledge of the funds from which the Bonds are payable; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds or the title of the present officers of the Master District.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the Master 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 Master District subsequent to the date of sale from that set forth or contemplated in the Official Statement, as it may have been supplemented or amended through the date of sale.

TAX MATTERS

In the opinion of 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.

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 Master District has covenanted in the Bond Resolutions that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolutions 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 Master District and the Initial Purchaser with respect to matters solely within the knowledge of the Master District and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the Master District should fail to comply with the covenants in the Bond Resolutions 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 Master 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 Bonds

The issue price of certain of the Bonds (the “Original Issue Discount Bonds” and each an “Original Issue Discount Bond”) 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 “TAX MATTERS” generally applies, except as otherwise provided below, to original issue discount on an 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 Initial Purchaser 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 Master 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.

NOT Qualified Tax-Exempt Obligations

The Bonds are not “qualified tax-exempt obligations” for financial institutions.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolutions, the Master District has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The Master 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 Master District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (“MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The Master District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated with respect to the Master District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “MASTER DISTRICT DEBT,” (except under the subheading “Estimated Overlapping Debt Statement”), “TAX DATA,” “APPENDIX A – Certain Financial Information Regarding the Participants,” and “APPENDIX B – Financial Statements of the Participants.” The Master 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 financial information and operating data which will be provided with respect to the Master District and the Participants is found in “APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS” and “APPENDIX B – FINANCIAL STATEMENTS OF THE PARTICIPANTS.”

The Master District will provide the updated information to the MSRB through its EMMA system. The Master District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 of the Securities Exchange Act (the “Rule”). The updated information will include audited financial statements if an audit is commissioned and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the Master District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolutions, or such other accounting principles as the Master District and the Participants may be required to employ from time to time pursuant to state law or regulation.

Under Chapter 49, Subchapter G, Texas Water Code, SPMUD7 has not previously been required to obtain an audit of their finances. SPMUD7 is, however, required to file an Annual Financial Report with the TCEQ, on a form adopted by the TCEQ. A copy of the Annual Financial Reports of SPMUD7 for the fiscal year ended April 30, 2020, is provided in “APPENDIX B – FINANCIAL STATEMENTS OF THE PARTICIPANTS.” The Master District will update and provide the Annual Financial Reports for SPMUD7 in conformity with the requirements of this section regarding the filing of unaudited financial statements within six months after the end of each of its fiscal years ending in or after 2020, and at such time as the Master District, SPMUD4, and SPMUD6 are required to obtain an audit of their respective finances, the Master District will file such audited financial statements as described above.

The Master District's current fiscal year end is April 30. Accordingly, it must provide updated information by October 31 in each year, unless the Master District changes its fiscal year. If the Master District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The Master 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 Master 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 Master District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the Master District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the Master District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the Master District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Master District or other obligated person within meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Master District or other obligated person within meaning of the Rule, any of which reflect financial difficulties. The terms "obligated person" and "financial obligations" when used in this paragraph shall have the meanings ascribed to them under 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 Resolutions makes any provision for debt service reserves or liquidity enhancement. In addition, the Master District will provide timely notice of any failure by the Master District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

The Master 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.

Limitations and Amendments

The Master District has agreed to update information and to provide notices of material events only as described above. The Master 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 Master 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 Master 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 and beneficial owners of Bonds may seek a writ of mandamus to compel the Master District to comply with its agreement.

The Master District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the Master District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as

changed circumstances, and either the holders of a majority in aggregate principal amount of the Outstanding Bonds consent or any person unaffiliated with the Master District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The Master District may also amend or repeal the agreement in the Bond Resolutions if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the Master 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

The Master District is in compliance in all material respects with its previous undertakings pursuant to the Rule.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the Master District's records, the Master District Engineer, the Developer, the Tax Assessor/Collector, the Appraisal District, 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 Master District Facilities, and, in particular, that engineering information included in the sections entitled "THE MASTER DISTRICT – Status of Development" and "MASTER DISTRICT FACILITIES," has been provided by the Master District Engineer 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 this Official Statement relating to development and the status of development within the Master District generally and, in particular, the information in the second captioned "THE MASTER DISTRICT – Status of Development" and "DESCRIPTION OF THE DEVELOPER – Principal Landowner/Developer," has been provided by the Developer and has been included herein in reliance upon their authority and knowledge of such party concerning the matters described therein.

The information contained in this Official Statement relating to the Participants' financial statements, in particular the information in "APPENDIX B – FINANCIAL STATEMENTS OF THE PARTICIPANTS," has been provide by the Auditor and has been included herein in reliance upon their authority and knowledge of such party concerning the matters described therein.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations, analysis of the tax base and percentages of tax collections contained under "TAX DATA" has been provided by the Tax Assessor/Collector and the Appraisal District, and has been included herein in reliance upon the authority of such parties as experts in the field of tax assessing and collecting.

Certification as to Official Statement

The Master District, acting by and through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the Master 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 Master District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the

Master 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 Master District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the Master District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the Master District to so amend or supplement the Official Statement will terminate when the Master District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the Master 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 Master District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the Master 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 Master District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Sienna Plantation Municipal Utility District No. 5 as of the date shown on the cover of this Official Statement.

/s/ Mark Kilkenny
President, Board of Directors
Sienna Plantation Municipal Utility District No. 5

ATTEST:

/s/ Lisa Kinzel
Secretary, Board of Directors
Sienna Plantation Municipal Utility District No. 5

APPENDIX A

CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS

SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 4

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds (and Refunding).....	\$ 265,300,000
Voter Authorized Unlimited Tax Road Bonds (and Refunding).....	\$ 166,300,000
Voter Authorized Unlimited Tax Park Bonds (and Refunding).....	\$ 68,200,000
Total Principal Amount of Unlimited Tax Bonds Issued	\$ 58,935,000 (a)
Debt Service Tax Limitation (per \$100 of Assessed Valuation)	Unlimited
Maintenance and Operations Tax Limitation (per \$100 of Assessed Valuation).....	\$ 1.500
Maintenance and Operations Tax for Road Facilities Limitation (per \$100 of Assessed Valuation)	\$ 0.250
Contract Tax Limitation	Unlimited
Gross Outstanding Direct Debt.....	\$ 56,190,000 (a)
2020 Gross Certified Assessed Valuation	\$ 560,618,013
Estimated Gross Assessed Valuation as of August 1, 2020	\$ 607,894,864
2020 Gross Certified Assessed Valuation as a Percentage of the:	
2020 Gross Certified Assessed Valuation of the Participants	91.98 %
Estimated Gross Assessed Valuation of the Participants as of August 1, 2020.....	89.86 %
Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (\$1,997,550) (2020-2045):	
Pro Rata Share Based on the 2020 Gross Certified Assessed Valuation	\$ 1,837,332
Pro Rata Share Based on the Estimated Gross Valuation as of August 1, 2020	\$ 1,794,958
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (\$2,213,394) (2041):	
Pro Rata Share Based on the 2020 Gross Certified Assessed Valuation	\$ 2,035,863
Pro Rata Share Based on the Estimated Gross Valuation as of August 1, 2020	\$ 1,988,911
Tax Rate Required to Pay Pro Rata Share of the Outstanding Bonds and the Bonds Based Upon the 2020 Certified Gross Assessed Valuation at 95% Collections:	
Average Annual Debt Service Requirement.....	\$ 0.35
Maximum Annual Debt Service Requirement.....	\$ 0.39
Tax Rate Required to Pay Pro Rata Share of the Outstanding Bonds and the Bonds Based Upon the 2020 Estimated Gross Assessed Valuation as of August 1, 2020, at 95% Collections:	
Average Annual Debt Service Requirement.....	\$ 0.32
Maximum Annual Debt Service Requirement.....	\$ 0.35
<u>Status of Single-Family Development as of August 1, 2020:</u>	
Approximate Total Developed Acreage	855
Total Connections.....	1,685
Total Developed Lots	1,761

(a) Sienna Plantation Municipal Utility District No. 4 ("SPMUD4") plans to issue \$14,570,000 principal amount of unlimited tax bonds in October 2020. Such bonds are included in SPMUD4's issued and outstanding debt amounts. Outstanding debt as of October 1, 2020.

Principal Taxpayers

The following are the principal taxpayers within SPMUD4 as shown on SPMUD4's certified appraisal rolls for the 2020 tax year.

Taxpayer	Type of Property	Assessed Valuation 2020 Tax Roll
Newmark Homes Houston LLC	Land, Improvements, & Personal Property	\$ 5,276,800
Chesmar Homes LLC	Land, Improvements, & Personal Property	4,514,900
Westin Homes and Properties LP	Land, Improvements, & Personal Property	3,502,050
Toll Houston TX LLC	Land, Improvements, & Personal Property	3,496,620
2830 MP Investors	Land, Improvements, & Personal Property	3,195,930
Toll-GTIS Property Owner LLC	Land and Improvements	3,098,887
Trendmaker Homes Inc.	Land, Improvements, & Personal Property	2,987,670
Shea Homes Houston LLC	Land, Improvements, & Personal Property	2,849,950
MHI Partnership LTD	Land, Improvements, & Personal Property	1,226,300
Jamestown Estate Homes LP	Land, Improvements, & Personal Property	<u>1,200,000</u>
Total		\$ 31,349,107

Percent of Respective Tax Roll

5.59 %

Historical Tax Collections

Tax Year	Assessed Valuation	Tax Rate	Adjusted Levy	Collections Current Year	Current Year Ended 09/30	Collections 07/31/2020
2014	\$ 13,316,480	\$ 1.03	\$ 137,160	100.00 %	2015	100.00 %
2015	13,782,505	1.03	141,960	100.00	2016	100.00
2016	116,550,831	1.05	1,223,784	99.79	2017	100.00
2017	228,545,725	1.05	2,399,730	99.64	2018	100.00
2018	313,011,087	1.05	3,286,616	99.47	2019	100.00
2019	433,500,679	1.05	4,551,757	99.26	2020	99.26

Tax Rate Distribution

	2020 (a)	2019	2018	2017	2016
Debt Service	\$ 0.585	\$ 0.565	\$ 0.660	\$ 0.590	\$ 0.540
Maintenance and Operations	0.125	0.115	0.100	0.220	0.430
Contract	<u>0.340</u>	<u>0.370</u>	<u>0.290</u>	<u>0.240</u>	<u>0.080</u>
Total	\$ 1.050	\$ 1.050	\$ 1.050	\$ 1.050	\$ 1.050

(a) Anticipated tax rate for the 2020 tax year.

SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 5

(IN ITS CAPACITY AS A PARTICIPANT)

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds (and Refunding).....	\$	12,300,000
Voter Authorized Unlimited Tax Road Bonds	\$	9,200,000
Voter Authorized Unlimited Tax Park Bonds.....	\$	2,900,000
Total Principal Amount of Unlimited Tax Bonds Issued	\$	0
Debt Service Tax Limitation (per \$100 of Assessed Valuation)		Unlimited
Maintenance and Operations Tax Limitation (per \$100 of Assessed Valuation).....		\$ 1.500
Maintenance and Operations Tax for Road Facilities Limitation (per \$100 of Assessed Valuation)		\$ 0.250
Contract Tax Limitation		Unlimited
Gross Outstanding Direct Debt.....	\$	0
2020 Gross Certified Assessed Valuation	\$	473,390
Estimated Gross Assessed Valuation as of August 1, 2020	\$	473,390
2020 Gross Certified Assessed Valuation as a Percentage of the:		
2020 Gross Certified Assessed Valuation of the Participants		0.08 %
Estimated Gross Assessed Valuation of the Participants as of August 1, 2020.....		0.07 %
Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (\$1,997,550) (2020-2045):		
Pro Rata Share Based on the 2020 Gross Certified Assessed Valuation	\$	1,551
Pro Rata Share Based on the Estimated Gross Valuation as of August 1, 2020	\$	1,398
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (\$2,213,394) (2041):		
Pro Rata Share Based on the 2020 Gross Certified Assessed Valuation	\$	1,719
Pro Rata Share Based on the Estimated Gross Valuation as of August 1, 2020	\$	1,549
Tax Rate Required to Pay Pro Rata Share of the Outstanding Bonds and the Bonds Based Upon the 2020 Certified Gross Assessed Valuation at 95% Collections:		
Average Annual Debt Service Requirement.....	\$	0.35 (a)
Maximum Annual Debt Service Requirement.....	\$	0.39 (a)
Tax Rate Required to Pay Pro Rata Share of the Outstanding Bonds and the Bonds Based Upon the 2020 Estimated Gross Assessed Valuation as of August 1, 2020, at 95% Collections:		
Average Annual Debt Service Requirement.....	\$	0.32 (a)
Maximum Annual Debt Service Requirement.....	\$	0.35 (a)

(a) For the 2020 tax year, Sienna Planation Municipal Utility District No. 5 ("SPMUD5") does not intend to levy a tax rate and its pro rata share will be made from a developer advance to SPMUD5's general fund.

Principal Taxpayers

The following are the principal taxpayers within SPMUD5 as shown on SPMUD5's certified appraisal rolls for the 2020 tax year.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2020 Tax Roll</u>
Toll-GTIS Property Owner LLC	Land	\$ 468,390
Homeowner	Land	1,000
Homeowner	Land	1,000
Homeowner	Land	1,000
Homeowner	Land	1,000
Homeowner	Land	1,000
Total		<u>1,000</u>
		\$ 473,390
Percent of Respective Tax Roll		100.00 %

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SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 6

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds (and Refunding).....	\$	347,000,000
Voter Authorized Unlimited Tax Road Bonds (and Refunding).....	\$	199,500,000
Voter Authorized Unlimited Tax Park Bonds (and Refunding).....	\$	78,800,000
Total Principal Amount of Unlimited Tax Bonds Issued	\$	5,500,000 (a)
Debt Service Tax Limitation (Per \$100 of Assessed Valuation).....		Unlimited
Maintenance and Operations Tax Limitation (per \$100 of Assessed Valuation).....		\$ 1.500
Maintenance and Operations Tax for Road Facilities Limitation (per \$100 of Assessed Valuation).....		\$ 0.250
Contract Tax Limitation		Unlimited
Gross Outstanding Direct Debt.....	\$	5,500,000 (a)
2020 Gross Certified Assessed Valuation	\$	33,416,257
Estimated Gross Assessed Valuation as of August 1, 2020	\$	53,140,895
2020 Gross Certified Assessed Valuation as a Percentage of the:		
2020 Gross Certified Assessed Valuation of the Participants		5.48 %
Estimated Gross Assessed Valuation of the Participants as of August 1, 2020.....		7.86 %
Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (\$1,997,550) (2020-2045):		
Pro Rata Share Based on the 2020 Gross Certified Assessed Valuation	\$	109,516
Pro Rata Share Based on the Estimated Gross Valuation as of August 1, 2020	\$	156,911
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (\$2,213,394) (2041):		
Pro Rata Share Based on the 2020 Gross Certified Assessed Valuation	\$	121,350
Pro Rata Share Based on the Estimated Gross Valuation as of August 1, 2020	\$	173,866
Tax Rate Required to Pay Pro Rata Share of the Outstanding Bonds and the Bonds Based Upon the 2020 Certified Gross Assessed Valuation at 95% Collections:		
Average Annual Debt Service Requirement.....	\$	0.35
Maximum Annual Debt Service Requirement.....	\$	0.39
Tax Rate Required to Pay Pro Rata Share of the Outstanding Bonds and the Bonds Based Upon the 2020 Estimated Gross Assessed Valuation as of August 1, 2020, at 95% Collections:		
Average Annual Debt Service Requirement.....	\$	0.32
Maximum Annual Debt Service Requirement.....	\$	0.35
<u>Status of Single-Family Development as of August 1, 2020:</u>		
Approximate Total Developed Acreage		151 (b)
Total Connections.....		72
Total Developed Lots		303

(a) Sienna Plantation Municipal Utility District No. 6 (“SPMUD6”) plans to issue \$5,500,000 principal amount of unlimited tax bonds in October 2020. Such bonds are included in SPMUD6’s issued and outstanding debt amounts. Outstanding debt as of October 1, 2020.
(b) Includes approximately 54 acres currently under development.

Principal Taxpayers

The following are the principal taxpayers within SPMUD6 as shown on SPMUD6’s certified appraisal rolls for the 2020 tax year.

Taxpayer	Type of Property	Assessed Valuation 2020 Tax Roll
Toll-GTIS Property Owner LLC	Land, Improvements, & Personal Property	\$ 14,711,993
Ranolly, Inc.	Land, Improvements, & Personal Property	1,921,960
Toll Houston TX LLC	Land, Improvements, & Personal Property	1,486,710
Newmark Homes Houston LLC	Land, Improvements, & Personal Property	617,200
Affinity Development Company LLC	Land and Improvements	546,470
Homeowner	Land, Improvements, & Personal Property	379,910
Homeowner	Land, Improvements, & Personal Property	379,910
Homeowner	Land, Improvements, & Personal Property	379,910
Homeowner	Land, Improvements, & Personal Property	377,200
Homeowner	Land, Improvements, & Personal Property	<u>367,940</u>
Total		\$ 21,169,203

Percent of Respective Tax Roll

63.35 %

Tax Rate Distribution

	2020 (a)	2019	2018
Debt Service	\$ 0.630	\$ 0.000	\$ 0.000
Maintenance and Operations	0.070	0.680	0.750
Contract	<u>0.350</u>	<u>0.370</u>	<u>0.300</u>
Total	\$ 1.050	\$ 1.050	\$ 1.050

(a) Anticipated tax rate for the 2020 tax year.

SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 7

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds (and Refunding).....	\$	271,300,000
Voter Authorized Unlimited Tax Road Bonds	\$	156,900,000
Voter Authorized Unlimited Tax Park Bonds.....	\$	68,500,000
Total Principal Amount of Unlimited Tax Bonds Issued	\$	0
Debt Service Tax Limitation (per \$100 of Assessed Valuation)		Unlimited
Maintenance and Operations Tax Limitation (per \$100 of Assessed Valuation).....		\$ 1.500
Maintenance and Operations Tax for Road Facilities Limitation (per \$100 of Assessed Valuation)		\$ 0.250
Contract Tax Limitation		Unlimited
Gross Outstanding Direct Debt.....	\$	0
2020 Gross Certified Assessed Valuation	\$	14,997,225
Estimated Gross Assessed Valuation as of August 1, 2020	\$	14,997,225
2020 Gross Certified Assessed Valuation as a Percentage of the:		
2020 Gross Certified Assessed Valuation of the Participants		2.46 %
Estimated Gross Assessed Valuation of the Participants as of August 1, 2020.....		2.22 %
Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (\$1,997,550) (2020-2045):		
Pro Rata Share Based on the 2020 Gross Certified Assessed Valuation	\$	49,151
Pro Rata Share Based on the Estimated Gross Valuation as of August 1, 2020	\$	44,283
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (\$2,213,394) (2041):		
Pro Rata Share Based on the 2020 Gross Certified Assessed Valuation	\$	54,462
Pro Rata Share Based on the Estimated Gross Valuation as of August 1, 2020	\$	49,068
Tax Rate Required to Pay Pro Rata Share of the Outstanding Bonds and the Bonds Based Upon the 2020 Certified Gross Assessed Valuation at 95% Collections:		
Average Annual Debt Service Requirement.....	\$	0.35 (a)
Maximum Annual Debt Service Requirement.....	\$	0.39 (a)
Tax Rate Required to Pay Pro Rata Share of the Outstanding Bonds and the Bonds Based Upon the 2020 Estimated Gross Assessed Valuation as of August 1, 2020, at 95% Collections:		
Average Annual Debt Service Requirement.....	\$	0.32 (a)
Maximum Annual Debt Service Requirement.....	\$	0.35 (a)

(a) For the 2020 tax year, Sienna Planation Municipal Utility District No. 7 ("SPMUD7") does not intend to levy a tax rate and its pro rata share will be made from a developer advance to SPMUD7's general fund.

Principal Taxpayers

The following are the principal taxpayers within SPMUD7 as shown on SPMUD7's certified appraisal rolls for the 2020 tax year.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2020 Tax Roll</u>
Toll-GTIS Property Owner LLC	Land	\$ 14,992,225
Homeowner	Land	1,000
Homeowner	Land	1,000
Homeowner	Land	1,000
Homeowner	Land	1,000
Homeowner	Land	1,000
Homeowner	Land	<u>1,000</u>
Total		\$ 14,997,225
Percent of Respective Tax Roll		100.00 %

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APPENDIX B
FINANCIAL STATEMENTS OF THE PARTICIPANTS

- **2020 Audit for Sienna Plantation Municipal Utility District No. 4**
- **2020 Audit for Sienna Plantation Municipal Utility District No. 5**
- **2020 Audit for Sienna Plantation Municipal Utility District No. 6**
- **2020 Annual Financial Report for Sienna Plantation Municipal Utility District No. 7**

**SIENNA PLANTATION MUNICIPAL
UTILITY DISTRICT NO. 4**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

April 30, 2020

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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. 4
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Sienna Plantation Municipal Utility District No. 4, as of and for the year ended April 30, 2020, 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. 4
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. 4, as of April 30, 2020, 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.

W. G. G. & Co, P.C.

Houston, Texas
August 31, 2020

Management's Discussion and Analysis

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***Sienna Plantation Municipal Utility District No. 4
Management's Discussion and Analysis
April 30, 2020***

Using this Annual Report

Within this section of the financial report of Sienna Plantation Municipal Utility District No. 4 (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 April 30, 2020. 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. 4
Management's Discussion and Analysis
April 30, 2020***

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 April 30, 2020, was negative \$29,346,244. The District's net position is negative because the District incurs debt to construct public roads which it conveys to the Fort Bend County. A comparative summary of the District's overall financial position, as of April 30, 2020 and 2019, is as follows:

	2020	2019
Current and other assets	\$ 6,026,796	\$ 5,146,548
Capital assets	32,845,802	25,653,224
Total assets	<u>38,872,598</u>	<u>30,799,772</u>
Current liabilities	1,904,597	1,648,543
Long-term liabilities	66,314,245	50,950,478
Total liabilities	<u>68,218,842</u>	<u>52,599,021</u>
Net position		
Net investment in capital assets	(6,415,222)	(5,591,182)
Restricted	2,845,264	2,585,706
Unrestricted	(25,776,286)	(18,793,773)
Total net position	<u>\$ (29,346,244)</u>	<u>\$ (21,799,249)</u>

***Sienna Plantation Municipal Utility District No. 4
Management's Discussion and Analysis
April 30, 2020***

The total net position of the District decreased during the current fiscal year by \$7,546,995. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2020</u>	<u>2019</u>
Revenues		
Water and sewer service	\$ 1,288,241	\$ 976,523
Property taxes, penalties and interest	4,584,426	3,318,675
Other	1,629,610	1,395,458
Total revenues	<u>7,502,277</u>	<u>5,690,656</u>
Expenses		
Current service operations	1,813,245	1,435,556
Debt interest and fees	1,314,264	1,098,945
Debt issuance costs	648,500	693,044
Developer interest	546,611	602,279
Intergovernmental	2,598,678	1,837,717
Depreciation and amortization	789,045	613,048
Total expenses	<u>7,710,343</u>	<u>6,280,589</u>
Change in net position before other items	(208,066)	(589,933)
Other items		
Change in estimate due to developer		(40,000)
Transfers to other governments	<u>(7,338,929)</u>	<u>(918,385)</u>
Change in net position	(7,546,995)	(1,548,318)
Net position, beginning of year	<u>(21,799,249)</u>	<u>(20,250,931)</u>
Net position, end of year	<u>\$ (29,346,244)</u>	<u>\$ (21,799,249)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of April 30, 2020, were \$5,452,482, which consists of \$1,814,105 in the General Fund, \$2,980,664 in the Debt Service Fund, and \$657,713 in the Capital Projects Fund.

***Sienna Plantation Municipal Utility District No. 4
Management's Discussion and Analysis
April 30, 2020***

General Fund

A comparative summary of the General Fund's financial position as of April 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Total assets	<u>\$ 2,295,227</u>	<u>\$ 1,643,497</u>
Total liabilities	\$ 471,005	\$ 436,368
Total deferred inflows	10,117	5,980
Total fund balance	<u>1,814,105</u>	<u>1,201,149</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,295,227</u>	<u>\$ 1,643,497</u>

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

	<u>2020</u>	<u>2019</u>
Total revenues	\$ 3,383,070	\$ 2,646,781
Total expenditures	<u>(2,770,114)</u>	<u>(2,313,505)</u>
Revenues over expenditures	612,956	333,276
Other changes in fund balance		61,998
Net change in fund balance	<u>\$ 612,956</u>	<u>\$ 395,274</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District 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. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.
- 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.

***Sienna Plantation Municipal Utility District No. 4
Management's Discussion and Analysis
April 30, 2020***

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of April 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Total assets	<u>\$ 3,073,856</u>	<u>\$ 2,789,649</u>
Total liabilities	\$ 775	\$ 205
Total deferred inflows	92,417	63,712
Total fund balance	<u>2,980,664</u>	<u>2,725,732</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 3,073,856</u>	<u>\$ 2,789,649</u>

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

	<u>2020</u>	<u>2019</u>
Total revenues	\$ 4,080,088	\$ 3,020,303
Total expenditures	<u>(3,914,243)</u>	<u>(2,517,311)</u>
Revenues over expenditures	165,845	502,992
Other changes in fund balance	89,087	166,509
Net change in fund balance	<u>\$ 254,932</u>	<u>\$ 669,501</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues and capitalized interest from the sale of bonds. 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 April 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Total assets	<u>\$ 657,713</u>	<u>\$ 713,402</u>
Total liabilities	\$ -	\$ 3,232
Total fund balance	<u>657,713</u>	<u>710,170</u>
Total liabilities and fund balance	<u>\$ 657,713</u>	<u>\$ 713,402</u>

***Sienna Plantation Municipal Utility District No. 4
Management's Discussion and Analysis
April 30, 2020***

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

	2020	2019
Total revenues	\$ 6,275	\$ 12,325
Total expenditures	<u>(7,469,645)</u>	<u>(7,766,220)</u>
Revenues under expenditures	(7,463,370)	(7,753,895)
Other changes in fund balance	<u>7,410,913</u>	<u>7,986,471</u>
Net change in fund balance	<u>\$ (52,457)</u>	<u>\$ 232,576</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2019 Unlimited Tax Road Bonds in the current year and the sale of its Series 2018 Unlimited Tax Bonds in the prior year.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$295,217 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 developer for the financing of the construction of capital assets within the District. Developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

***Sienna Plantation Municipal Utility District No. 4
Management's Discussion and Analysis
April 30, 2020***

Capital assets held by the District at April 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Capital assets not being depreciated		
Land and improvements	\$ 464,349	\$ 402,629
Capital assets being depreciated/amortized		
Infrastructure	34,767,872	26,847,969
Master District connection charges	342,760	342,760
	<u>35,110,632</u>	<u>27,190,729</u>
Less accumulated depreciation/amortization		
Infrastructure	(2,626,828)	(1,847,304)
Master District connection charges	(102,351)	(92,830)
	<u>(2,729,179)</u>	<u>(1,940,134)</u>
Subtotal depreciable capital assets, net	<u>32,381,453</u>	<u>25,250,595</u>
Capital assets, net	<u>\$ 32,845,802</u>	<u>\$ 25,653,224</u>

Capital asset additions during the current year include the following:

- Water, sewer and drainage facilities to serve Sienna Plantation, Sections 13B, 14, 15A, 15B, 16, 17A, 17B, 17C, 24 and 25
- Water, sewer and drainage facilities to serve Sienna Village of Destrehan, Section 6B
- Clearing and grubbing to serve Sienna Plantation, Section 18

Additionally, Fort Bend County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended April 30, 2020, capital assets in the amount of \$7,338,929 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 9.

Long-Term Debt and Related Liabilities

As of April 30, 2020, the District owes \$25,156,245 to the developer for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of \$2,633,718 for projects under construction by the developer. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

Sienna Plantation Municipal Utility District No. 4
Management's Discussion and Analysis
April 30, 2020

At April 30, 2020 and 2019, the District had total bonded debt outstanding as shown below:

Series	2020	2019
2016	\$ 8,550,000	\$ 8,800,000
2016A Road	8,890,000	9,150,000
2017	9,600,000	9,850,000
2018	8,285,000	8,530,000
2019 Road	7,500,000	
	\$ 42,825,000	\$ 36,330,000

During the current year, the District issued \$7,500,000 in unlimited tax road bonds. At April 30, 2020, the District had \$237,835,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$68,200,000 for parks and recreational facilities and \$149,400,000 for road improvements.

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:

	2020 Actual	2021 Budget
Total revenues	\$ 3,383,070	\$ 3,720,175
Total expenditures	(2,770,114)	(3,106,060)
Revenues over expenditures	612,956	614,115
Beginning fund balance	1,201,149	1,814,105
Ending fund balance	\$ 1,814,105	\$ 2,428,220

Property Taxes

The District's property tax base increased approximately \$116,129,600 for the 2020 tax year from \$433,413,775 to \$549,543,421. This increase was primarily due to new construction in the District and increased property values.

Infectious Disease Outlook (COVID-19)

As further discussed in Note 14, the World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory virus currently affecting many parts of the world, including the United States and Texas. The pandemic has negatively affected the economic growth and financial markets worldwide and within Texas. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak could have an adverse effect on the District's operations and financial condition by negatively affecting property taxes and ad valorem tax revenues within the District.

Basic Financial Statements

Sienna Plantation Municipal Utility District No. 4
Statement of Net Position and Governmental Funds Balance Sheet
April 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 468,402	\$ 107,849	\$ 100	\$ 576,351	\$ -	\$ 576,351
Investments	1,325,990	2,878,675	688,599	4,893,264		4,893,264
Taxes receivable	10,117	92,417		102,534		102,534
Customer service receivables	210,507			210,507		210,507
Internal balances	36,071	(5,085)	(30,986)			
Other receivables	5,709			5,709		5,709
Builder damages	48,236			48,236		48,236
Operating reserve	190,195			190,195		190,195
Capital assets not being depreciated					464,349	464,349
Capital assets, net					32,381,453	32,381,453
Total Assets	\$ 2,295,227	\$ 3,073,856	\$ 657,713	\$ 6,026,796	32,845,802	38,872,598
Liabilities						
Accounts payable	\$ 456,454	\$ -	\$ -	\$ 456,454		456,454
Other payables	2,096	775		2,871		2,871
Customer deposits	10,210			10,210		10,210
Unearned revenue	2,245			2,245		2,245
Accrued interest payable					227,817	227,817
Due to developer					25,156,245	25,156,245
Long-term debt						
Due within one year					1,205,000	1,205,000
Due after one year					41,158,000	41,158,000
Total Liabilities	471,005	775		471,780	67,747,062	68,218,842
Deferred Inflows of Resources						
Deferred property taxes	10,117	92,417		102,534	(102,534)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	190,195			190,195	(190,195)	
Restricted		2,980,664	657,713	3,638,377	(3,638,377)	
Unassigned	1,623,910			1,623,910	(1,623,910)	
Total Fund Balances	1,814,105	2,980,664	657,713	5,452,482	(5,452,482)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,295,227	\$ 3,073,856	\$ 657,713	\$ 6,026,796		
Net Position						
Net investment in capital assets					(6,415,222)	(6,415,222)
Restricted for debt service					2,845,264	2,845,264
Unrestricted					(25,776,286)	(25,776,286)
Total Net Position					\$ (29,346,244)	\$ (29,346,244)

See notes to basic financial statements.

Sienna Plantation Municipal Utility District No. 4
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended April 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 571,675	\$ -	\$ -	\$ 571,675	\$ -	\$ 571,675
Sewer service	716,566			716,566		716,566
Property taxes	493,929	4,023,552		4,517,481	29,588	4,547,069
Penalties and interest	20,225	13,876		34,101	3,256	37,357
Tap connection and inspection	547,399			547,399		547,399
Surface water fees	600,555			600,555		600,555
Fire protection fees	410,507			410,507		410,507
Miscellaneous	3,337	1,223		4,560		4,560
Investment earnings	18,877	41,437	6,275	66,589		66,589
Total Revenues	3,383,070	4,080,088	6,275	7,469,433	32,844	7,502,277
Expenditures/Expenses						
Current service operations						
Professional fees	140,612	946	1,725	143,283		143,283
Contracted services	655,832	60,993		716,825		716,825
Repairs and maintenance	258,308			258,308		258,308
Utilities	620			620		620
Surface water	606,877			606,877		606,877
Administrative	54,294	4,218		58,512		58,512
Other	28,746	50	24	28,820		28,820
Capital outlay			6,272,785	6,272,785	(6,272,785)	
Debt service						
Principal		1,005,000		1,005,000	(1,005,000)	
Interest and fees		1,269,183		1,269,183	45,081	1,314,264
Debt issuance costs			648,500	648,500		648,500
Developer interest			546,611	546,611		546,611
Intergovernmental						
Master District connection charges	571,544			571,544		571,544
Facilities renewal and replacement	41,061			41,061		41,061
Fire protection services	412,220			412,220		412,220
Contractual obligations		1,573,853		1,573,853		1,573,853
Depreciation and amortization					789,045	789,045
Total Expenditures/Expenses	2,770,114	3,914,243	7,469,645	14,154,002	(6,443,659)	7,710,343
Revenues Over (Under)						
Expenditures/Expenses	612,956	165,845	(7,463,370)	(6,684,569)	6,476,503	(208,066)
Other Financing Sources						
Proceeds from sale of bonds		89,087	7,410,913	7,500,000	(7,500,000)	
Other Items						
Transfers to other governments					(7,338,929)	(7,338,929)
Net Change in Fund Balances	612,956	254,932	(52,457)	815,431	(815,431)	
Change in Net Position					(7,546,995)	(7,546,995)
Fund Balance/Net Position						
Beginning of the year	1,201,149	2,725,732	710,170	4,637,051	(26,436,300)	(21,799,249)
End of the year	\$ 1,814,105	\$ 2,980,664	\$ 657,713	\$ 5,452,482	\$ (34,798,726)	\$ (29,346,244)

See notes to basic financial statements.

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Sienna Plantation Municipal Utility District No. 4
Notes to Basic Financial Statements
April 30, 2020

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Sienna Plantation Municipal Utility District No. 4 (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 March 10, 1997, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on October 31, 2000 and the first bonds were issued on October 27, 2016. In 2009, the Texas Legislature adopted Chapter 8320 Special District Local Laws Code, to give the District the powers and duties essential to acquire, construct, and maintain roads and road improvements.

The District’s primary activities include construction, maintenance and operation of water, sewer, drainage, parks and road 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.

On January 6, 2020, the District adopted a resolution authorizing the change of the District's name to Sienna Municipal Utility District No. 4. The District submitted the resolution to TCEQ for approval on March 26, 2020. The request has not been approved as April 30, 2020.

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*.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

- 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, water and sewer service fees and tap connection fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer, drainage, and road 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.

Sienna Plantation Municipal Utility District No. 4
Notes to Basic Financial Statements
April 30, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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.

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 April 30, 2020, an allowance for uncollectible accounts was not considered necessary.

Unbilled Service Revenues

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

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.

Sienna Plantation Municipal Utility District No. 4
Notes to Basic Financial Statements
April 30, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Infrastructure	45 years
Master District connection charges	40 years [max]

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District’s nonspendable fund balance consists of operating reserves paid to Sienna Plantation Municipal Utility District No. 5 for the joint water and sewer facilities.

Sienna Plantation Municipal Utility District No. 4
Notes to Basic Financial Statements
April 30, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Sienna Plantation Municipal Utility District No. 4
Notes to Basic Financial Statements
April 30, 2020

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$	5,452,482
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
Historical cost	\$	35,574,981
Less accumulated depreciation/amortization		<u>(2,729,179)</u>
Change due to capital assets		32,845,802
<p>Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i>.</p>		
		(25,156,245)
<p>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:</p>		
Bonds payable, net		(42,363,000)
Interest payable on bonds		<u>(227,817)</u>
Change due to long-term debt		(42,590,817)
<p>Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.</p>		
		102,534
Total net position - governmental activities	<u>\$</u>	<u>(29,346,244)</u>

Sienna Plantation Municipal Utility District No. 4
Notes to Basic Financial Statements
April 30, 2020

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 \$ 815,431

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest. 32,844

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	\$ 6,272,785	
Depreciation expense	(789,045)	
		5,483,740

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 long term debt	(7,500,000)	
Principal payments	1,005,000	
Interest expense accrual	(45,081)	
		(6,540,081)

The District conveys certain roads to Fort Bend County upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts reduce net position. (7,338,929)

Change in net position of governmental activities	\$ (7,546,995)
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Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) 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. 4
Notes to Basic Financial Statements
April 30, 2020

Note 3 – Deposits and Investments (continued)

Investments (continued)

As of April 30, 2020, the District’s investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	\$ 600,000	12%	N/A	N/A
TexPool	General	725,990			
	Debt Service	2,878,675			
	Capital Projects	688,599			
		<u>4,293,264</u>	<u>88%</u>	AAAm	31 days
Total		<u>\$ 4,893,264</u>	<u>100%</u>		

The District’s investments in certificates of deposit are reported at cost.

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.

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 the interest risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District’s investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Sienna Plantation Municipal Utility District No. 4
Notes to Basic Financial Statements
April 30, 2020

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at April 30, 2020, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 5,085	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	30,986	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.

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended April 30, 2020, is as follows:

	<u>Beginning Balances</u>	<u>Additions/ Adjustments</u>	<u>Ending Balances</u>
Capital assets not being depreciated			
Land and improvements	\$ 402,629	\$ 61,720	\$ 464,349
Capital assets being depreciated/amortized			
Infrastructure	26,847,969	7,919,903	34,767,872
Master District connection charges	342,760		342,760
	<u>27,190,729</u>	<u>7,919,903</u>	<u>35,110,632</u>
Less accumulated depreciation/amortization			
Infrastructure	(1,847,304)	(779,524)	(2,626,828)
Master District connection charges	(92,830)	(9,521)	(102,351)
	<u>(1,940,134)</u>	<u>(789,045)</u>	<u>(2,729,179)</u>
Subtotal depreciable capital assets, net	<u>25,250,595</u>	<u>7,130,858</u>	<u>32,381,453</u>
Capital assets, net	<u>\$ 25,653,224</u>	<u>\$ 7,192,578</u>	<u>\$ 32,845,802</u>

Depreciation/amortization expense for the current year was \$789,045.

Sienna Plantation Municipal Utility District No. 4
Notes to Basic Financial Statements
April 30, 2020

Note 6 – Due to Developer

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

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

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

Due to developer, beginning of year	\$ 16,108,478
Developer funded construction and adjustments	15,320,552
Developer reimbursements	<u>(6,272,785)</u>
Due to developer, end of year	<u>\$ 25,156,245</u>

In addition, the District will owe the developer approximately \$2,633,718 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
Sienna Plantation, Section 18 - water, sewer, and drainage facilities	\$ 1,671,232	\$ 1,628,329	\$ 42,903
Sienna Plantation, Section 18 - paving facilities	962,486	603,405	359,081
	<u>\$ 2,633,718</u>	<u>\$ 2,231,734</u>	<u>\$ 401,984</u>

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 42,825,000
Unamortized discounts	<u>(462,000)</u>
	<u>\$ 42,363,000</u>
Due within one year	<u>\$ 1,205,000</u>

Sienna Plantation Municipal Utility District No. 4
Notes to Basic Financial Statements
April 30, 2020

Note 7 – Long-Term Debt (continued)

The District’s bonds payable at April 30, 2020, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2016	\$ 8,550,000	\$ 8,800,000	2.00% - 3.60%	September 1, 2019 - 2041	September 1, March 1	September 1, 2024
2016A Road	8,890,000	9,400,000	1.75% - 3.60%	September 1, 2018 - 2041	September 1, March 1	September 1, 2024
2017	9,600,000	10,135,000	2.50% - 3.375%	September 1, 2018 - 2042	September 1, March 1	September 1, 2025
2018	8,285,000	8,530,000	3.25% - 5.00%	September 1, 2019 - 2043	September 1, March 1	September 1, 2023
2019 Road	7,500,000	7,500,000	2.00% - 2.75%	September 1, 2020 - 2043	September 1, March 1	September 1, 2024
	<u>\$ 42,825,000</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 April 30, 2020, the District had authorized but unissued bonds in the amount of \$237,835,000 for water, sewer and drainage facilities; \$68,200,000 for park and recreational facilities; and \$149,400,000 for roads.

On October 29, 2019, the District issued its \$7,500,000 Series 2019 Unlimited Tax Road Bonds at a net effective interest rate of 2.728915%. Proceeds of the bonds were used to reimburse developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	\$ 36,330,000
Bonds issued	7,500,000
Bonds retired	(1,005,000)
Bonds payable, end of year	<u>\$ 42,825,000</u>

Sienna Plantation Municipal Utility District No. 4
Notes to Basic Financial Statements
April 30, 2020

Note 7 – Long-Term Debt (continued)

As of April 30, 2020, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2021	\$ 1,205,000	\$ 1,348,192	\$ 2,553,192
2022	1,230,000	1,309,979	2,539,979
2023	1,280,000	1,269,892	2,549,892
2024	1,330,000	1,227,625	2,557,625
2025	1,385,000	1,184,304	2,569,304
2026	1,440,000	1,142,227	2,582,227
2027	1,490,000	1,101,531	2,591,531
2028	1,550,000	1,059,444	2,609,444
2029	1,615,000	1,015,126	2,630,126
2030	1,675,000	968,961	2,643,961
2031	1,745,000	919,561	2,664,561
2032	1,810,000	866,387	2,676,387
2033	1,880,000	809,802	2,689,802
2034	1,955,000	749,709	2,704,709
2035	2,025,000	686,467	2,711,467
2036	2,110,000	619,914	2,729,914
2037	2,195,000	549,495	2,744,495
2038	2,280,000	475,121	2,755,121
2039	2,365,000	396,988	2,761,988
2040	2,465,000	314,367	2,779,367
2041	2,560,000	226,708	2,786,708
2042	2,655,000	135,149	2,790,149
2043	1,580,000	61,331	1,641,331
2044	1,000,000	17,063	1,017,063
	<u>\$ 42,825,000</u>	<u>\$ 18,455,343</u>	<u>\$ 61,280,343</u>

Note 8 – Property Taxes

On December 14, 2009, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. 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. 4
Notes to Basic Financial Statements
April 30, 2020

Note 8 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2020 fiscal year was financed through the 2019 tax levy, pursuant to which the District levied property taxes of \$1.05 per \$100 of assessed value, of which \$0.115 was allocated to maintenance and operations, \$0.36 was allocated to water, sewer and drainage debt service, \$0.205 was allocated to road debt service, and \$0.37 was allocated to contract taxes. The resulting tax levy was \$4,550,846 on the adjusted taxable value of \$433,413,775.

Property taxes receivable, at April 30, 2020, consisted of the following:

Current year taxes receivable	\$	92,375
Penalty and interest receivable		10,159
Property taxes receivable	\$	<u>102,534</u>

Note 9 – Transfers to Other Governments

Fort Bend County assumes responsibility for the maintenance of public roads constructed within the boundaries of the District. Accordingly, road facilities are considered to be capital assets of Fort Bend County, not the District. The estimated cost of each road project is recorded as a transfer to other government upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended April 30, 2020, the District recorded transfers to other governments in the amount of \$7,338,929 for road facilities constructed by a developer within the District.

Note 10 – Contracts with Sienna Plantation Municipal District No. 1

Sienna Plantation Municipal Utility District No. 5 (“the Master District”), as a participant, and other participants, including the District, entered into a contract for financing, operation and maintenance of regional water, sanitary sewer and storm sewer facilities with Sienna Plantation Municipal Utility District No. 1 (MUD 1) in 2006 (the “MUD 1 Regional Contract”). The MUD 1 Regional Contract includes other participating districts that are not part of the Master District service area. Pursuant to this contract, MUD 1 has the authority to construct, acquire and finance regional water, wastewater and park facilities. The participants in the MUD 1 Regional Contract pay a connection charge to MUD 1 based on its pro rata share of the regional facilities in order to obtain water and wastewater service. The participants in the MUD 1 Regional Contract also pay monthly operation charges to MUD 1 for their pro rata share of operation and maintenance expenses. MUD 1 has limited authority to issue contract revenue bonds: MUD 1 may only issue contract revenue bonds for acquisition, construction or improvement of (1) surface water facilities (2) a regional facility to comply with any regulatory requirement; (3) payment of extraordinary expenses of repairing or maintaining the regional facilities; or (4) a permanent wastewater treatment plant.

Sienna Plantation Municipal Utility District No. 4
Notes to Basic Financial Statements
April 30, 2020

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

In 2009, the Master District (on behalf of the participants) entered into a Utility Contract with MUD 1 with for the purposes of amending and supplementing the MUD 1 Regional Contract. Pursuant to the terms of the Utility Contract, the parties agreed that the Master District will construct and finance the regional water, sewer and drainage facilities that serve the service area. Once constructed, the Master District will convey the regional water, sewer and drainage facilities (other than interim wastewater treatment facilities) to MUD 1 for ownership, operation and maintenance. Upon conveyance, the Master District is not obligated to pay connection charges in order to receive water and sewer service from MUD 1. The Master District will pay monthly operations charges to MUD 1 on behalf of the participants for their pro-rata share of operation and maintenance expenses and will charge the participating districts for their pro-rata share of the monthly operating and maintenance expenses. The Master District currently has purchased capacity in the water plants owned by MUD 1 and receives surface water from the City of Missouri City. The Master District owns and operates an interim wastewater treatment plant that serves the District, but the Master District has participated in the construction of a permanent wastewater treatment plant owned and operated by MUD 1 that will serve the District.

MUD 1 Debt

MUD 1 is authorized to issue bonds for the purposes as stated in this note. The Master District shall be obligated to contribute to the payment of MUD 1's debt service requirements based on its allocated share of the debt until such time as the bonds have been repaid. The Master District shall charge each participating district its pro rata share based on assessed values in each district.

On May 29, 2018, MUD 1 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. The Master District's pro-rata share of total costs of the regional facilities is \$12,695,000 which was funded by the Master District's allocated share of bond proceeds of \$12,695,000.

Sienna Plantation Municipal Utility District No. 4
Notes to Basic Financial Statements
April 30, 2020

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

MUD 1 Debt (continued)

As of April 30, 2020, MUD 1 has \$24,740,000 in contract revenue bonds outstanding and the Master District’s share of said bonds is \$12,695,000. MUD 1 bills the Master District in January of each year for MUD 1’s debt service payments for that calendar year. During the current fiscal year, the Master District paid \$287,691 to MUD 1 for MUD 1’s 2020 debt service requirements. The Master District’s future annual obligation to MUD 1 for MUD 1’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
2021	\$ 287,691
2022	287,691
2023	287,691
2024	677,691
2025	681,295
2026-2030	3,394,815
2031-2035	3,394,137
2036-2040	3,393,791
2041-2045	3,394,343
2046-2048	2,037,230
	<u>\$ 17,836,375</u>

Wastewater Treatment Services Contract

The District currently receives wastewater treatment services from an interim wastewater treatment plant operated by the Master District. Regional wastewater treatment services will ultimately be provided to each district within Sienna Plantation by MUD 1 pursuant to the First Amendment and Restated Wastewater Treatment Services Contract (the “Wastewater Agreement”) between MUD 1 and the City of Missouri City (the “City”). Pursuant to the Wastewater Agreement, a permanent wastewater treatment plant is required. MUD 1 is responsible for the ultimate design and construction of the permanent wastewater treatment plant, with the costs of such facility allocated among the participating districts on a pro-rata basis. The permanent wastewater treatment plant is under construction. See Note 10 – MUD 1 Debt.

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

Joint Construction Agreement for Fire Facilities

MUD 1 and the City entered into a fire protection agreement which establishes the terms and conditions for the construction of a new fire station and the acquisition of a new fire truck to serve Sienna Plantation. The cost of the fire station and the fire truck is to be paid by the internal Sienna Plantation Districts that will be served by the fire station on a pro-rata basis. Sienna Plantation Municipal Utility District Nos. 1, 2 and 3 have contributed their pro-rata shares of the costs to MUD 1. The District and Sienna Plantation Municipal Utility District Nos. 5, 6 and 7 (Sienna South Districts) have received a loan from Sienna Plantation Municipal Utility District No. 3 (MUD 3) to fund their pro-rata share. MUD 3 agreed to advance \$2,076,000 to MUD 1 to ensure the construction of the fire station and the acquisition of a fire truck.

MUD 1 and the Master District entered into an agreement whereby the Master District will reimburse MUD 1 on behalf of all the Sienna South Districts for the loan from MUD 3. The Master District will pay interest of 6% annually to MUD 1 and will fully reimburse MUD 1 upon the occurrence of a triggering event, as defined by the agreement, or by October 1, 2025, whichever comes first.

Fire Protection Services

On June 25, 2015, MUD 1 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, MUD 1 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, whereby the District agreed to be bound by the terms and conditions of the Operations Agreement and to pay MUD 1 for its pro-rata share of operating costs and capital costs. As of April 30, 2020, the monthly charge is \$21.50 per connection.

Note 11 – Master District Contract with Sienna Plantation Municipal Utility District No. 5

On May 13, 2013 the District, along with Sienna Plantation Municipal Utility District No. 6, Sienna Plantation Municipal Utility District No. 7, and Sienna Plantation Municipal Utility District No. 5, (as a participant) entered into a contract (the “Contract”) with the Master District whereby the Master District agrees to provide or cause to be provided regional water, wastewater, drainage, roads, firefighting and park facilities to land within the participants’ boundaries (or Service Area). Pursuant to the Utility Contract with MUD 1, the water, wastewater and drainage facilities will be conveyed to MUD 1 for MUD 1 to own, operate and maintain such facilities to serve the Service Area. The Master District agrees to provide or cause to be provided road facilities to be conveyed to Fort Bend County to own, operate and maintain such roads.

Sienna Plantation Municipal Utility District No. 4
Notes to Basic Financial Statements
April 30, 2020

**Note 11 – Master District Contract with Sienna Plantation Municipal Utility District No. 5
(continued)**

Master District Debt

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional facilities needed to provide services to all Participants. The District shall contribute to the regional payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all Participants. During the current year, the Master District issued \$15,465,000 in Contract Revenue Bonds. As of April 30, 2020, the Master District has issued \$25,380,000 in Contract Revenue Bonds.

The Master District also has the option to finance the road and park facilities through connection charges which will be determined based on the number of estimated total connections to be constructed within the service area. As of April 30, 2020, the District has not paid any such connection charges.

Operating and Maintenance Reserve

The Master District Contract authorizes the establishment of an operating and maintenance reserve by the Master District equivalent to three months' operating and maintenance expenses, as set forth in the Master District's annual budget. The Master District shall adjust the reserve as needed, not less than annually. As of April 30, 2020, the District has paid \$190,195 to the Master District for its share of the operating and maintenance reserve.

Monthly Connection Fees for Operating Expenses

The Master District charges each participating district a monthly fee based on the unit cost per connection multiplied by the number of equivalent single-family connections reserved to the District. The monthly fee will also include those monthly operations from MUD 1, pursuant to the Utility Contract.

Summary of Charges

For the fiscal year ended April 30, 2020, the District incurred the following costs pursuant to contracts with the Master District and MUD 1:

- Monthly connection fees in the amount of \$571,544,
- Monthly charges in the amount of \$41,061 for MUD 1's renewal and replacement fund, which was established by MUD 1 to provide funding to repair and replace aging MUD 1 facilities,
- Monthly charges for fire protection services in the amount of \$412,220, and
- Contractual obligations for debt service requirements in the amount of \$1,573,853, which consists of \$1,305,642 for Master District bonds and \$268,211 for the Master District's share of MUD 1's contract revenue bonds.

Sienna Plantation Municipal Utility District No. 4
Notes to Basic Financial Statements
April 30, 2020

Note 12 – Agreements with City of Missouri City

The developer in Sienna Plantation South (land included in MUDs 4, 5, 6 & 7) has entered into the Sienna Plantation Joint Development Agreement with the City dated February 19, 1996, as amended by the eighth amendment dated July 15, 2013 (collectively, the “Development Agreement”) which stipulates the City’s regulatory authority over the development of Sienna Plantation South, establishes certain restrictions and commitments related to the development of Sienna Plantation South, sets forth detailed design and construction standards, stipulates a formula for determining the time of annexation of land within Sienna Plantation South by the City and identifies and establishes a master plan for the development of Sienna Plantation South. The development of all land within Sienna Plantation South is governed by the provisions of the Development Agreement.

The District has also entered into an amended and restated Strategic Partnership Agreement with the City dated July 15, 2013, which stipulates the City’s regulatory authority over the District; stipulates a formula for determining the time of annexation of land within the District by the City and identifies and establishes a master plan for the development of the District.

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

Under existing Texas law, since the Master District and each of the Participants lie wholly within the extraterritorial jurisdiction of the City of Missouri City, each Participant must conform to a City of Missouri City consent ordinance. The Participants and the City have entered into Strategic Partnership Agreements that govern the terms of annexation. The Master District may not be annexed until Participants are annexed. In addition, without an agreement in place, no Participant may be annexed by the City of Missouri City without consent; however, under Texas Law, the City of Missouri City cannot annex territory within a district unless it annexes the entire district. If a Participant is annexed, the City of Missouri City will assume the Participant’s assets and obligations (including the Participant’s obligation under the Master District Contract) and dissolve the Participant within ninety (90) days.

In the Strategic Partnership Agreements, the City and Participants agreed that a component of the Participants’ tax rate is for the Contract Tax Payments pursuant to the Master District Contract; and the other component of the Participants’ tax rate is to administer, operate, and maintain the internal District facilities “Internal Facilities Tax”. To the extent permitted by law, the Participants agree that for so long as they have debt outstanding, the Internal Facilities Tax will never be less than the City’s ad valorem tax rate, unless specifically, consented to by the City.

Sienna Plantation Municipal Utility District No. 4
Notes to Basic Financial Statements
April 30, 2020

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 – 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. 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. On March 31, 2020, the Governor issued an executive order closing all non-essential businesses in the State. This order expired on April 30, 2020. Additionally, all the counties in the greater Houston area adopted various “Work Safe – Stay Home” orders. Such actions are focused on limiting instances where the public can congregate or interact with each other. These precautions resulted in the temporary closure of all non-essential businesses in the State.

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 the economic growth and financial markets worldwide and within Texas. These negative impacts may reduce or negatively affect property taxes and ad valorem tax revenues within the District.

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.

Note 15 – Subsequent Event

On August 31, 2020, the District approved a preliminary official statement and notice of sale for its Series 2020 Unlimited Tax Bonds in the amount of \$14,570,000. The acceptance of bids and award of sale is scheduled for September 21, 2020. Proceeds of the bonds will primarily be used to reimburse developer for amounts currently reported in “Due to developer.”

Required Supplementary Information

Sienna Plantation Municipal Utility District No. 4
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended April 30, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 425,000	\$ 571,675	\$ 146,675
Sewer service	525,000	716,566	191,566
Property taxes	306,646	493,929	187,283
Penalties and interest	18,000	20,225	2,225
Tap connection and inspection	439,160	547,399	108,239
Surface water fees	425,000	600,555	175,555
Fire protection fees	373,713	410,507	36,794
Miscellaneous	2,000	3,337	1,337
Investment earnings	7,800	18,877	11,077
Total Revenues	2,522,319	3,383,070	860,751
Expenditures			
Current service operations			
Professional fees	120,500	140,612	(20,112)
Contracted services	455,900	655,832	(199,932)
Repairs and maintenance	209,350	258,308	(48,958)
Utilities	1,200	620	580
Surface water	425,000	606,877	(181,877)
Administrative	59,133	54,294	4,839
Other	30,450	28,746	1,704
Intergovernmental			
Master District connection charges	496,316	571,544	(75,228)
Facilities renewal and replacement	33,018	41,061	(8,043)
Fire protection services	373,713	412,220	(38,507)
Total Expenditures	2,204,580	2,770,114	(565,534)
Revenues Over Expenditures	317,739	612,956	295,217
Fund Balance			
Beginning of the year	1,201,149	1,201,149	
End of the year	\$ 1,518,888	\$ 1,814,105	\$ 295,217

Sienna Plantation Municipal Utility District No. 4
Notes to Required Supplementary Information
April 30, 2020

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Sienna Plantation Municipal Utility District No. 4
TSI-1. Services and Rates
April 30, 2020

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

- | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|----------------------------------------------|----------------------------------------------|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input 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 checked="" 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	1,000	N	\$ 2.25	10,000	to 20,000
				\$ 2.75	20,001	to no limit
Wastewater:	\$ 45.94		Y			to
Surface water	\$ 2.42	1,000	N	\$ 2.42	1,001	to no limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 48.80 Wastewater \$ 45.94

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"	811	809	x 1.0	809
1"	798	795	x 2.5	1,988
1.5"			x 5.0	
2"	46	46	x 8.0	368
3"	1	1	x 15.0	15
4"	1	1	x 25.0	25
6"	1	1	x 50.0	50
8"			x 80.0	
10"			x 115.0	
Total Water	1,658	1,653		3,255
Total Wastewater	1,572	1,567	x 1.0	1,567

See accompanying auditor's report.

Sienna Plantation Municipal Utility District No. 4
TSI-1. Services and Rates
April 30, 2020

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

Gallons pumped into system:	<u>251,139,400</u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>251,139,400</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: _____

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

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. 4
TSI-2 General Fund Expenditures
For the Year Ended April 30, 2020

Professional fees		
Legal		\$ 81,358
Audit		10,500
Engineering		48,754
		<u>140,612</u>
Contracted services		
Bookkeeping		33,699
Operator		41,588
Garbage collection		230,957
Tap connection and inspection		349,588
		<u>655,832</u>
Repairs and maintenance		<u>258,308</u>
Utilities		<u>620</u>
Surface water		<u>606,877</u>
Administrative		
Directors fees		9,900
Printing and office supplies		21,854
Insurance		5,071
Other		17,469
		<u>54,294</u>
Other		<u>28,746</u>
Intergovernmental		
Monthly connection charges		571,544
Master District replacement fund		41,061
Fire protection services		412,220
		<u>1,024,825</u>
Total expenditures		<u>\$ 2,770,114</u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	3,264 kWh	\$ 620
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Sienna Plantation Municipal Utility District No. 4
TSI-3. Investments
April 30, 2020

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
TexPool	Variable	N/A	\$ 725,990	\$ -
Certificates of deposit	2.30%	07/16/20	100,000	1,593
Certificates of deposit	1.80%	11/16/20	50,000	173
Certificates of deposit	1.85%	08/14/20	50,000	492
Certificates of deposit	2.10%	09/14/20	50,000	469
Certificates of deposit	0.95%	01/11/21	50,000	18
Certificates of deposit	2.50%	05/17/20	50,000	1,075
Certificates of deposit	2.50%	06/18/20	50,000	966
Certificates of deposit	2.10%	10/13/20	100,000	771
Certificates of deposit	1.35%	12/15/20	100,000	152
			<u>1,325,990</u>	<u>5,709</u>
Debt Service				
TexPool	Variable	N/A	1,599,948	
TexPool	Variable	N/A	1,264,563	
TexPool	Variable	N/A	14,164	
			<u>2,878,675</u>	
Capital Projects				
TexPool	Variable	N/A	144,126	
TexPool	Variable	N/A	541,717	
TexPool	Variable	N/A	2,756	
			<u>688,599</u>	
Total - All Funds			<u>\$ 4,893,264</u>	<u>\$ 5,709</u>

See accompanying auditors' report.

Sienna Plantation Municipal Utility District No. 4
TSI-4. Taxes Levied and Receivable
April 30, 2020

	Maintenance Taxes	W-S-D Debt Service Taxes	Road Debt Service Taxes	Contract Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 5,980	\$ 29,898	\$ 9,567	\$ 17,341	\$ 62,786
Adjustments to Prior Year Tax Levy	(360)	(1,798)	(575)	(1,043)	(3,776)
Adjusted Receivable	5,620	28,100	8,992	16,298	59,010
2019 Original Tax Levy	492,705	1,542,380	878,300	1,585,224	4,498,609
Adjustments	5,721	17,910	10,199	18,407	52,237
Adjusted Tax Levy	498,426	1,560,290	888,499	1,603,631	4,550,846
Total to be accounted for	504,046	1,588,390	897,491	1,619,929	4,609,856
Tax collections:					
Current year	488,309	1,528,619	870,463	1,571,080	4,458,471
Prior years	5,620	28,100	8,992	16,298	59,010
Total Collections	493,929	1,556,719	879,455	1,587,378	4,517,481
Taxes Receivable, End of Year	\$ 10,117	\$ 31,671	\$ 18,036	\$ 32,551	\$ 92,375
Taxes Receivable, By Years					
2019	\$ 10,117	\$ 31,671	\$ 18,036	\$ 32,551	\$ 92,375
		2019	2018	2017	2016
Property Valuations:					
Land		\$ 125,395,686	\$ 106,062,491	\$ 83,362,170	\$ 67,859,240
Improvements		352,306,642	248,282,102	185,259,516	86,909,430
Personal Property		2,588,210	2,270,600	1,308,280	1,088,800
Exemptions		(46,876,763)	(43,604,106)	(41,384,241)	(39,306,639)
Total Property Valuations		\$ 433,413,775	\$ 313,011,087	\$ 228,545,725	\$ 116,550,831
Tax Rates per \$100 Valuation:					
Maintenance tax rates		\$ 0.115	\$ 0.10	\$ 0.22	\$ 0.43
W-S-D debt service tax rates		0.360	0.50	0.39	0.19
Road debt service tax rates		0.205	0.16	0.20	0.35
Contract tax rate		0.370	0.29	0.24	0.08
Total Tax Rates per \$100 Valuation		\$ 1.050	\$ 1.05	\$ 1.05	\$ 1.05
Adjusted Tax Levy:		\$ 4,550,846	\$ 3,286,616	\$ 2,399,730	\$ 1,223,784
Percentage of Taxes Collected to Taxes Levied **		97.97%	100.0%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on December 14, 2009

** 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. 4
TSI-5. Long-Term Debt Service Requirements
Series 2016--by Years
April 30, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 255,000	\$ 264,555	\$ 519,555
2022	265,000	258,962	523,962
2023	275,000	252,885	527,885
2024	285,000	246,303	531,303
2025	300,000	239,132	539,132
2026	310,000	231,353	541,353
2027	320,000	223,002	543,002
2028	335,000	213,992	548,992
2029	345,000	204,300	549,300
2030	360,000	193,898	553,898
2031	370,000	182,762	552,762
2032	385,000	170,868	555,868
2033	400,000	158,108	558,108
2034	415,000	144,556	559,556
2035	430,000	130,403	560,403
2036	445,000	115,635	560,635
2037	465,000	100,165	565,165
2038	480,000	83,860	563,860
2039	500,000	66,710	566,710
2040	520,000	48,600	568,600
2041	535,000	29,610	564,610
2042	555,000	9,990	564,990
	<u>\$ 8,550,000</u>	<u>\$ 3,569,649</u>	<u>\$ 12,119,649</u>

See accompanying auditors' report.

Sienna Plantation Municipal Utility District No. 4
TSI-5. Long-Term Debt Service Requirements
Series 2016A Road--by Years
April 30, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 265,000	\$ 275,543	\$ 540,543
2022	275,000	269,735	544,735
2023	290,000	263,375	553,375
2024	300,000	256,440	556,440
2025	310,000	248,965	558,965
2026	320,000	240,930	560,930
2027	335,000	232,247	567,247
2028	345,000	222,895	567,895
2029	360,000	212,845	572,845
2030	370,000	202,075	572,075
2031	385,000	190,558	575,558
2032	400,000	178,190	578,190
2033	415,000	164,943	579,943
2034	430,000	150,893	580,893
2035	445,000	136,236	581,236
2036	465,000	120,760	585,760
2037	480,000	104,460	584,460
2038	500,000	87,430	587,430
2039	520,000	69,580	589,580
2040	540,000	50,760	590,760
2041	560,000	30,960	590,960
2042	580,000	10,440	590,440
	<u>\$ 8,890,000</u>	<u>\$ 3,720,260</u>	<u>\$ 12,610,260</u>

See accompanying auditors' report.

Sienna Plantation Municipal Utility District No. 4
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
April 30, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 260,000	\$ 316,550	\$ 576,550
2022	275,000	304,513	579,513
2023	285,000	291,913	576,913
2024	295,000	278,863	573,863
2025	305,000	265,363	570,363
2026	320,000	253,700	573,700
2027	330,000	245,188	575,188
2028	345,000	237,163	582,163
2029	360,000	227,900	587,900
2030	375,000	217,794	592,794
2031	390,000	206,788	596,788
2032	405,000	194,863	599,863
2033	420,000	182,488	602,488
2034	435,000	169,391	604,391
2035	455,000	155,484	610,484
2036	470,000	140,738	610,738
2037	490,000	125,138	615,138
2038	510,000	108,569	618,569
2039	530,000	91,019	621,019
2040	550,000	72,450	622,450
2041	575,000	52,763	627,763
2042	600,000	32,200	632,200
2043	620,000	10,850	630,850
	<u>\$ 9,600,000</u>	<u>\$ 4,181,688</u>	<u>\$ 13,781,688</u>

See accompanying auditors' report.

Sienna Plantation Municipal Utility District No. 4
TSI-5. Long-Term Debt Service Requirements
Series 2018--by Years
April 30, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 210,000	\$ 315,519	\$ 525,519
2022	215,000	304,894	519,894
2023	225,000	293,894	518,894
2024	235,000	282,394	517,394
2025	245,000	271,619	516,619
2026	255,000	261,619	516,619
2027	265,000	251,219	516,219
2028	275,000	240,419	515,419
2029	290,000	230,206	520,206
2030	300,000	220,619	520,619
2031	315,000	210,428	525,428
2032	325,000	199,425	524,425
2033	340,000	187,788	527,788
2034	355,000	175,625	530,625
2035	365,000	163,025	528,025
2036	385,000	149,900	534,900
2037	400,000	135,663	535,663
2038	415,000	120,381	535,381
2039	430,000	104,538	534,538
2040	450,000	88,038	538,038
2041	470,000	70,200	540,200
2042	485,000	51,100	536,100
2043	505,000	31,300	536,300
2044	530,000	10,600	540,600
	<u>\$ 8,285,000</u>	<u>\$ 4,370,413</u>	<u>\$ 12,655,413</u>

See accompanying auditors' report.

Sienna Plantation Municipal Utility District No. 4
TSI-5. Long-Term Debt Service Requirements
Series 2019 Road--by Years
April 30, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 215,000	\$ 176,025	\$ 391,025
2022	200,000	171,875	371,875
2023	205,000	167,825	372,825
2024	215,000	163,625	378,625
2025	225,000	159,225	384,225
2026	235,000	154,625	389,625
2027	240,000	149,875	389,875
2028	250,000	144,975	394,975
2029	260,000	139,875	399,875
2030	270,000	134,575	404,575
2031	285,000	129,025	414,025
2032	295,000	123,041	418,041
2033	305,000	116,475	421,475
2034	320,000	109,244	429,244
2035	330,000	101,319	431,319
2036	345,000	92,881	437,881
2037	360,000	84,069	444,069
2038	375,000	74,881	449,881
2039	385,000	65,141	450,141
2040	405,000	54,519	459,519
2041	420,000	43,175	463,175
2042	435,000	31,419	466,419
2043	455,000	19,181	474,181
2044	470,000	6,463	476,463
	<u>\$ 7,500,000</u>	<u>\$ 2,613,333</u>	<u>\$ 10,113,333</u>

See accompanying auditors' report.

Sienna Plantation Municipal Utility District No. 4
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
April 30, 2018

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 1,205,000	\$ 1,348,192	\$ 2,553,192
2022	1,230,000	1,309,979	2,539,979
2023	1,280,000	1,269,892	2,549,892
2024	1,330,000	1,227,625	2,557,625
2025	1,385,000	1,184,304	2,569,304
2026	1,440,000	1,142,227	2,582,227
2027	1,490,000	1,101,531	2,591,531
2028	1,550,000	1,059,444	2,609,444
2029	1,615,000	1,015,126	2,630,126
2030	1,675,000	968,961	2,643,961
2031	1,745,000	919,561	2,664,561
2032	1,810,000	866,387	2,676,387
2033	1,880,000	809,802	2,689,802
2034	1,955,000	749,709	2,704,709
2035	2,025,000	686,467	2,711,467
2036	2,110,000	619,914	2,729,914
2037	2,195,000	549,495	2,744,495
2038	2,280,000	475,121	2,755,121
2039	2,365,000	396,988	2,761,988
2040	2,465,000	314,367	2,779,367
2041	2,560,000	226,708	2,786,708
2042	2,655,000	135,149	2,790,149
2043	1,580,000	61,331	1,641,331
2044	1,000,000	17,063	1,017,063
	<u>\$ 42,825,000</u>	<u>\$ 18,455,343</u>	<u>\$ 61,280,343</u>

See accompanying auditors' report.

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Sienna Plantation Municipal Utility District No. 4
TSI-6. Change in Long-Term Bonded Debt
April 30, 2018

	Bond Issue			
	Series 2016	Series 2016A Road	Series 2017	Series 2018
Interest rate	2.00% - 3.60%	1.75% - 3.60%	2.25% - 4.50%	3.25% - 5.00%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/19 - 9/1/41	9/1/18 - 9/1/41	9/1/18 - 9/1/42	9/1/19 - 9/1/43
Beginning bonds outstanding	\$ 8,800,000	\$ 9,150,000	\$ 9,850,000	\$ 8,530,000
Bonds issued				
Bonds retired	(250,000)	(260,000)	(250,000)	(245,000)
Ending bonds outstanding	<u>\$ 8,550,000</u>	<u>\$ 8,890,000</u>	<u>\$ 9,600,000</u>	<u>\$ 8,285,000</u>
Interest paid during fiscal year	<u>\$ 269,733</u>	<u>\$ 280,925</u>	<u>\$ 328,025</u>	<u>\$ 326,894</u>
Paying agent's name and city	<u>Regions Bank, an Alabama State Banking Corporation, Houston, Texas</u>			
	Water, Sewer and Drainage			
Bond Authority:	Bonds	Road Bonds	Park Bonds	
Amount Authorized by Voters	\$ 265,300,000	\$ 166,300,000	\$ 68,200,000	
Amount Issued	(27,465,000)	(16,900,000)		
Remaining To Be Issued	<u>\$ 237,835,000</u>	<u>\$ 149,400,000</u>	<u>\$ 68,200,000</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 investment balances as of April 30, 2020: \$ 2,986,524

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 2,553,348

See accompanying auditors' report.

<u>Bond Issue</u>	
<u>Series 2019</u>	<u>Totals</u>
<u>Road</u>	
2.00% - 2.75%	
9/1; 3/1	
9/1/20 -	
9/1/43	
\$ -	\$ 36,330,000
7,500,000	7,500,000
	<u>(1,005,000)</u>
<u>\$ 7,500,000</u>	<u>\$ 42,825,000</u>
<u>\$ 74,240</u>	<u>\$ 1,279,817</u>

Sienna Plantation Municipal Utility District No. 4
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Water service	\$ 571,675	\$ 437,228	\$ 292,311	\$ 225,685	\$ 104,649
Sewer service	716,566	539,295	362,137	248,257	92,941
Property taxes	493,929	317,664	507,406	486,288	138,759
Penalties and interest	20,225	18,335	10,036	7,652	2,630
Tap connection and inspection	547,399	586,070	378,723	430,822	525,313
Surface water	600,555	400,460	300,699	187,554	69,256
Fire protection fees	410,507	322,834	228,320	181,164	95,231
Miscellaneous	3,337	9,600	10,266	17,517	14,830
Investment earnings	18,877	15,295	4,246	617	144
Total Revenues	3,383,070	2,646,781	2,094,144	1,785,556	1,043,753
Expenditures					
Current service operations					
Professional fees	140,612	110,630	115,273	109,714	118,669
Contracted services	655,832	572,603	389,774	360,596	432,242
Repairs and maintenance	258,308	203,647	137,873	119,866	82,719
Utilities	620	806	628	716	634
Surface water	606,877	403,654	300,699	187,554	69,256
Administrative	54,294	56,040	44,742	36,535	26,596
Other	28,746	29,141	17,132	21,220	15,418
Intergovernmental					
Master District connection charges	571,544	585,442	483,892	395,443	161,947
Master District lease payments			190,000	190,000	190,000
Facilities renewal and replacement	41,061	28,483	20,513	13,104	4,895
Fire protection services	412,220	323,059	231,233	180,407	96,024
Total Expenditures	2,770,114	2,313,505	1,931,759	1,615,155	1,198,400
Revenues Over (Under) Expenditures	\$ 612,956	\$ 333,276	\$ 162,385	\$ 170,401	\$ (154,647)
Total Active Retail Water Connections	1,653	1,260	915	644	422
Total Active Retail Wastewater Connections	1,567	1,188	855	597	390

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
16%	17%	16%	13%	11%
21%	20%	17%	14%	9%
15%	12%	24%	27%	13%
1%	1%	*	*	*
16%	22%	18%	24%	50%
18%	15%	14%	11%	7%
12%	12%	11%	10%	9%
*	*	*	1%	1%
1%	1%	*	*	*
100%	100%	100%	100%	100%
4%	4%	6%	6%	11%
19%	22%	19%	20%	41%
8%	8%	7%	7%	8%
*	*	*	*	*
18%	15%	14%	11%	7%
2%	2%	2%	2%	3%
1%	1%	1%	1%	1%
17%	22%	23%	22%	16%
		9%	11%	18%
1%	1%	1%	1%	*
12%	12%	11%	10%	9%
82%	87%	93%	91%	114%
18%	13%	7%	9%	(14%)

Sienna Plantation Municipal Utility District No. 4

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Last Four Fiscal Years

	Amounts			
	2020	2019	2018	2017
Revenues				
Property taxes	\$ 4,023,552	\$ 2,958,970	\$ 1,879,626	\$ 701,162
Penalties and interest	13,876	12,459	11,143	2,679
Miscellaneous	1,223	3,205	5,737	
Investment earnings	41,437	45,874	18,218	3,484
Total Revenues	<u>4,080,088</u>	<u>3,020,508</u>	<u>1,914,724</u>	<u>707,325</u>
Expenditures				
Tax collection services	66,157	56,270	29,723	9,430
Other	50			
Debt service				
Principal	1,005,000	535,000		
Interest and fees	1,269,183	1,025,308	682,049	192,935
Intergovernmental				
Contractual obligations	1,573,853	900,733	547,313	80,683
Total Expenditures	<u>3,914,243</u>	<u>2,517,311</u>	<u>1,259,085</u>	<u>283,048</u>
Revenues Over Expenditures	<u>\$ 165,845</u>	<u>\$ 503,197</u>	<u>\$ 655,639</u>	<u>\$ 424,277</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues			
2020	2019	2018	2017
99%	98%	98%	100%
*	*	1%	*
*	*	*	
1%	2%	1%	*
100%	100%	100%	100%
2%	2%	2%	1%
*			
25%	18%		
31%	34%	36%	27%
39%	30%	29%	11%
97%	84%	67%	39%
3%	16%	33%	61%

***Sienna Plantation Municipal Utility District No. 4
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended April 30, 2020***

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): October 1, 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
Board Members				
Ray Sick	5/18 to 5/22	\$ 1,650	\$ 150	President
Bryan D. Ives	5/16 to 5/20	1,500	31	Vice President
Mary Berna	6/16 to 5/20	3,600	2,360	Secretary
Robert Vacek	5/18 to 5/22	1,650	206	Assistant Secretary
Maris Reynolds	5/16 to 5/20	1,500	293	Assistant Vice President
Consultants				
		<u>Amounts Paid</u>		
Allen Boone Humphries Robinson LLP <i>General legal</i> <i>Bond counsel</i>	2004	\$ 89,317 190,415		Attorney
SI Environmental, LLC	2013	769,637		Operator
Municipal Accounts & Consulting	2017	42,057		Bookkeeper
Tax Tech, Inc.	2006	29,334		Tax Collector
Fort Bend Central Appraisal District	Legislation	34,159		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	2006	946		Delinquent Tax Attorney
LJA Engineering and Surveying	2000	41,519		Engineer
McGrath & Co., PLLC	2010	22,000		Auditor
Robert W. Baird & Co.	2015	152,380		Financial Advisor

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

**SIENNA PLANTATION MUNICIPAL
UTILITY DISTRICT NO. 5**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

April 30, 2020

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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. 5
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Sienna Plantation Municipal Utility District No. 5, as of and for the year ended April 30, 2020, 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. 5
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. 5, as of April 30, 2020, 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.

W.C. Gatt & Co, P.C.

Houston, Texas
August 31, 2020

Management's Discussion and Analysis

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***Sienna Plantation Municipal Utility District No. 5
Management's Discussion and Analysis
April 30, 2020***

Using this Annual Report

Within this section of the financial report of Sienna Plantation Municipal Utility District No. 5 (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 April 30, 2020. 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. 5
Management's Discussion and Analysis
April 30, 2020***

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 April 30, 2020, was negative \$34,723,090. The District's net position is negative because the District incurs debt to construct regional water, sewer and drainage facilities which it conveys to Sienna Plantation Municipal Utility District No. 1 and road improvements which it conveys to Fort Bend County. A comparative summary of the District's overall financial position, as of April 30, 2020 and 2019, is as follows:

	2020	2019
Current and other assets	\$ 3,062,947	\$ 1,744,245
Capital assets	25,753,141	18,976,307
Total assets	<u>28,816,088</u>	<u>20,720,552</u>
Current liabilities	1,125,222	7,110,356
Long-term liabilities	62,413,956	40,946,623
Total liabilities	<u>63,539,178</u>	<u>48,056,979</u>
Net position		
Net investment in capital assets	(5,426,784)	(1,871,503)
Restricted	1,566,403	688,337
Unrestricted	(30,862,709)	(26,153,261)
Total net position	<u>\$ (34,723,090)</u>	<u>\$ (27,336,427)</u>

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The total net position of the District decreased during the current fiscal year by \$7,386,663. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2020</u>	<u>2019</u>
Revenues		
Monthly connections	\$ 613,385	\$ 607,345
Fire connections	464,938	368,983
Surface water fees	654,561	438,149
Renewal and replacement charges	44,214	30,692
Contract taxes	1,691,088	993,162
Other	26,429	32,854
Total revenues	<u>3,494,615</u>	<u>2,471,185</u>
Expenses		
Current service operations	752,115	790,726
Debt interest and fees	850,631	508,496
Developer interest	1,071,517	684
Debt issuance costs	1,263,131	92,990
Intergovernmental	1,621,382	1,393,657
Depreciation	894,779	618,520
Total expenses	<u>6,453,555</u>	<u>3,405,073</u>
Change in net position before other item	(2,958,940)	(933,888)
Other item		
Transfers to other governments	<u>(4,427,723)</u>	<u>(6,419,117)</u>
Change in net position	(7,386,663)	(7,353,005)
Net position, beginning of year	<u>(27,336,427)</u>	<u>(19,983,422)</u>
Net position, end of year	<u>\$ (34,723,090)</u>	<u>\$ (27,336,427)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of April 30, 2020, were \$2,584,152, which consists of \$683,998 in the General Fund, \$1,566,403 in the Debt Service Fund, and \$333,751 in the Capital Projects Fund.

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General Fund

A comparative summary of the General Fund's financial position as of April 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Total assets	<u>\$ 1,162,486</u>	<u>\$ 742,099</u>
Total liabilities	\$ 478,488	\$ 348,886
Total fund balance	<u>683,998</u>	<u>393,213</u>
Total liabilities and fund balance	<u>\$ 1,162,486</u>	<u>\$ 742,099</u>

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

	<u>2020</u>	<u>2019</u>
Total revenues	\$ 1,782,412	\$ 1,450,731
Total expenditures	<u>(2,204,454)</u>	<u>(1,804,848)</u>
Revenues under expenditures	(422,042)	(354,117)
Other changes in fund balance	<u>712,827</u>	<u>358,153</u>
Net change in fund balance	<u>\$ 290,785</u>	<u>\$ 4,036</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from charges to participating districts within the Master District service area for monthly operating costs, fire connection costs, surface water fees and the renewal and replacement of District facilities. These charges are based on the number of connections or water consumption in the participating district.

During the current and prior fiscal year, the District also received internal transfers from the Capital Projects Fund for the reimbursement of wastewater treatment plant lease expenses.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of April 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Total assets	<u>\$ 1,566,403</u>	<u>\$ 734,367</u>
Total fund balance	<u>\$ 1,566,403</u>	<u>\$ 734,367</u>

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

	<u>2020</u>	<u>2019</u>
Total revenues	\$ 1,705,229	\$ 1,005,605
Total expenditures	<u>(1,128,959)</u>	<u>(1,013,294)</u>
Revenues over/(under) expenditures	576,270	(7,689)
Other changes in fund balance	255,766	
Net change in fund balance	<u>\$ 832,036</u>	<u>\$ (7,689)</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from contract tax revenues collected from participants in the Master District service area. During the current year, the District's financial resources also included capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in a change in fund balance each year.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of April 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Total assets	<u>\$ 334,058</u>	<u>\$ 267,779</u>
Total liabilities	\$ 307	\$ 184,681
Total fund balance	<u>333,751</u>	<u>83,098</u>
Total liabilities and fund balance	<u>\$ 334,058</u>	<u>\$ 267,779</u>

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

	<u>2020</u>	<u>2019</u>
Total revenues	\$ 6,974	\$ 14,849
Total expenditures	<u>(8,111,121)</u>	<u>(4,267,594)</u>
Revenues under expenditures	(8,104,147)	(4,252,745)
Other changes in fund balance	8,354,800	3,957,807
Net change in fund balance	<u>\$ 250,653</u>	<u>\$ (294,938)</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its \$7,050,000 Series 2019 Contract Revenue Bonds and \$8,415,000 Series 2019 Contract Revenue Road Bonds in the current year and the sale of its \$4,412,000 Series 2018 Bond Anticipation Note in the prior year.

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General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$575,785 greater than budgeted. The *Budgetary Comparison Schedule* on page 40 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 April 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Capital assets not being depreciated		
Land and improvements	\$ 57,299	\$ 57,299
Capital assets being depreciated		
Infrastructure	18,196,142	14,332,584
Landscaping improvements	9,808,391	6,000,336
	<u>28,004,533</u>	<u>20,332,920</u>
Less accumulated depreciation		
Infrastructure	(1,184,211)	(779,852)
Landscaping improvements	(1,124,480)	(634,060)
	<u>(2,308,691)</u>	<u>(1,413,912)</u>
Depreciable capital assets, net	<u>25,695,842</u>	<u>18,919,008</u>
Capital assets, net	<u>\$ 25,753,141</u>	<u>\$ 18,976,307</u>

Capital asset additions during the current year include the following:

- Utilities to serve Plantation River Parkway from Sienna Parkway to roundabout
- Utilities and paving to Serve Commercial Drive, Waters Lake Boulevard at Sienna Parkway
- Utilities and paving to serve Plantation River Parkway Bridge
- Paving to serve Plantation River Parkway
- Paving to serve Sienna Parkway Section 3
- Lift station No. 2 at Sienna South
- Water Plant No. 3 Phase 2
- Sawmill Lake 13A landscaping and irrigation

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- Sienna Parkway at Waters Lake Boulevard landscaping and irrigation
- Sienna Parkway Phase 3 landscaping and irrigation
- Sienna Parkway Phase 3 median - landscaping and irrigation
- Sienna Plantation Section 14 landscaping and irrigation
- Sienna Plantation Section 16 landscaping and irrigation and park facilities
- Sienna Village of Destrehan 7C landscaping
- Plantation River Parkway entry
- Plantation River Parkway bridge to roundabout

The District and Sienna Plantation Municipal Utility District No. 1 (“MUD 1”) have entered into an agreement which obligates the District to construct regional water, wastewater and storm drainage facilities to serve the District and, when completed, to convey title of the facilities to MUD 1. See Note 11 for additional information. The District also constructs road facilities which are conveyed to Fort Bend County upon completion. The value of these assets is recorded as transfers to other governments upon completion of construction and trued-up when the developer is reimbursed. For the year ended April 30, 2020, capital assets in the amount of \$4,427,723 have been recorded as transfers to other governments in the government-wide statements.

Long-Term Debt and Related Liabilities

As of April 30, 2020, the District owes \$36,149,695 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District’s financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of \$6,346,512 for projects under construction by the developers. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At April 30, 2020 and 2019, the District in its capacity as a Master District, had total bonded debt outstanding as shown below:

Series	2020	2019
2015 Road	\$ 1,045,000	\$ 1,075,000
2016 WSD	2,055,000	2,115,000
2017 WSD	6,290,000	6,455,000
2019 WSD	7,050,000	
2019 Road	8,415,000	
	<u>\$ 24,855,000</u>	<u>\$ 9,645,000</u>

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During the current year, the District issued its \$7,050,000 Series 2019 Contract Revenue Bonds and \$8,415,000 Series 2019 Contract Revenue Road Bonds.

At April 30, 2020, the District, in its capacity as a Master District, had contract revenue bonds of \$425,935,000 authorized, but unissued for the purposes of regional water, sanitary sewer and drainage facilities; \$218,300,000 for parks and recreational facilities; \$239,985,000 for road improvements and \$32,800,000 for fire-fighting facilities.

At April 30, 2020, the District, in its capacity as a participating district, had \$12,300,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$2,900,000 for parks and recreational facilities and \$9,200,000 for road improvements.

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 participating districts and the projected cost of operating the District. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	2020 Actual	2021 Budget
Total revenues	\$ 1,782,412	\$ 2,155,446
Total expenditures	<u>(2,204,454)</u>	<u>(2,565,006)</u>
Revenues under expenditures	(422,042)	(409,560)
Other changes in fund balance	<u>712,827</u>	<u>124,560</u>
Net change in fund balance	290,785	(285,000)
Beginning fund balance	393,213	683,998
Ending fund balance	<u>\$ 683,998</u>	<u>\$ 398,998</u>

Infectious Disease Outlook (COVID-19)

As further discussed in Note 17, the World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory virus currently affecting many parts of the world, including the United States and Texas. The pandemic has negatively affected the economic growth and financial markets worldwide and within Texas. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak could have an adverse effect on the District's operations and financial condition by negatively affecting property taxes and ad valorem tax revenues within the District.

Basic Financial Statements

Sienna Plantation Municipal Utility District No. 5
Statement of Net Position and Governmental Funds Balance Sheet
April 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Assets				
Cash	\$ 179,842	\$ -	\$ 121	\$ 179,963
Investments	655,433	1,566,403	333,937	2,555,773
Due from other governments	279,336			279,336
Prepaid items	47,875			47,875
Capital assets not being depreciated				
Capital assets, net				
Total Assets	<u>\$ 1,162,486</u>	<u>\$ 1,566,403</u>	<u>\$ 334,058</u>	<u>\$ 3,062,947</u>
Liabilities				
Accounts payable	\$ 263,398	\$ -	\$ 307	\$ 263,705
Operating reserve	215,090			215,090
Due to developer				
Note payable (Note 11)				
Accrued interest on note payable				
Long-term debt				
Due within one year				
Due after one year				
Total Liabilities	<u>478,488</u>	<u></u>	<u>307</u>	<u>478,795</u>
Fund Balances/Net Position				
Fund Balances				
Nonspendable	47,875			47,875
Restricted		1,566,403	333,751	1,900,154
Unassigned	636,123			636,123
Total Fund Balances	<u>683,998</u>	<u>1,566,403</u>	<u>333,751</u>	<u>2,584,152</u>
Total Liabilities and Fund Balances	<u>\$ 1,162,486</u>	<u>\$ 1,566,403</u>	<u>\$ 334,058</u>	<u>\$ 3,062,947</u>
Net Position				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See notes to basic financial statements.

<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ -	\$ 179,963
	2,555,773
	279,336
	47,875
57,299	57,299
25,695,842	25,695,842
<u>25,753,141</u>	<u>28,816,088</u>
	263,705
	215,090
36,149,695	36,149,695
2,076,000	2,076,000
61,427	61,427
585,000	585,000
24,188,261	24,188,261
<u>63,060,383</u>	<u>63,539,178</u>
(47,875)	
(1,900,154)	
<u>(636,123)</u>	
<u>(2,584,152)</u>	
(5,426,784)	(5,426,784)
1,566,403	1,566,403
<u>(30,862,709)</u>	<u>(30,862,709)</u>
<u>\$ (34,723,090)</u>	<u>\$ (34,723,090)</u>

*Sienna Plantation Municipal Utility District No. 5
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended April 30, 2020*

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues				
Monthly connections	\$ 613,385	\$ -	\$ -	\$ 613,385
Fire connection charges	464,938			464,938
Surface water fees	654,561			654,561
Renewal and replacement charges	44,214			44,214
Contract tax		1,691,088		1,691,088
Investment earnings	5,314	14,141	6,974	26,429
Total Revenues	<u>1,782,412</u>	<u>1,705,229</u>	<u>6,974</u>	<u>3,494,615</u>
Expenditures/Expenses				
Current service operations				
Professional fees	166,874		5,809	172,683
Contracted services	89,683			89,683
Repairs and maintenance	87,849			87,849
Utilities	56,736			56,736
Administrative	43,301		103	43,404
Other	16,760			16,760
Lease	285,000			285,000
Capital outlay			5,588,501	5,588,501
Debt service				
Principal		255,000		255,000
Interest and fees	124,560	586,268	182,060	892,888
Developer interest			1,071,517	1,071,517
Debt issuance costs			1,263,131	1,263,131
Intergovernmental				
Monthly connection charges	1,333,691			1,333,691
Contractual obligations		287,691		287,691
Depreciation				
Total Expenditures/Expenses	<u>2,204,454</u>	<u>1,128,959</u>	<u>8,111,121</u>	<u>11,444,534</u>
Revenues Over/(Under) Expenditures/Expenses	(422,042)	576,270	(8,104,147)	(7,949,919)
Other Financing Sources/(Uses)				
Proceeds from sale of bonds		255,766	15,209,234	15,465,000
Repayment of bond anticipation note			(4,412,000)	(4,412,000)
Fort Bend County reimbursement			(1,802,332)	(1,802,332)
Repayment of advances			(51,835)	(51,835)
Developer advances	124,560			124,560
Internal transfers	588,267		(588,267)	
Other Items				
Transfers to other governments				
Net Change in Fund Balances	290,785	832,036	250,653	1,373,474
Change in Net Position				
Fund Balance/Net Position				
Beginning of the year	393,213	734,367	83,098	1,210,678
End of the year	<u>\$ 683,998</u>	<u>\$ 1,566,403</u>	<u>\$ 333,751</u>	<u>\$ 2,584,152</u>

See notes to basic financial statements.

Adjustments	Statement of Activities
\$ -	\$ 613,385
	464,938
	654,561
	44,214
	1,691,088
	26,429
	<u>3,494,615</u>
	172,683
	89,683
	87,849
	56,736
	43,404
	16,760
(5,588,501)	285,000
(255,000)	
(42,257)	850,631
	1,071,517
	1,263,131
	1,333,691
	287,691
894,779	894,779
<u>(4,990,979)</u>	<u>6,453,555</u>
4,990,979	(2,958,940)
(15,465,000)	
4,412,000	
1,802,332	
51,835	
(124,560)	
<u>(4,427,723)</u>	<u>(4,427,723)</u>
(1,373,474)	
(7,386,663)	(7,386,663)
(28,547,105)	(27,336,427)
<u>\$ (37,307,242)</u>	<u>\$ (34,723,090)</u>

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Sienna Plantation Municipal Utility District No. 5
Notes to Basic Financial Statements
April 30, 2020

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Sienna Plantation Municipal Utility District No. 5 (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 July 24, 2001, and operates in accordance with the Texas Water Code, Chapters 49 and 54. Road powers were added to the District by special legislation codified as Chapter 8321, Texas Special District Local Laws Code. The Board of Directors held its first meeting on October 31, 2000 and the first bonds were issued on December 10, 2015.

The District’s primary activities include the construction of water, wastewater, drainage, parks and recreational facilities and road improvements for the benefit of land within the boundaries of the District, as well as the construction of regional water, sewer, drainage, road, fire-fighting and park facilities within the Master District service area (see Note 11 for additional information). As further discussed in Note 9, the District transfers the regional water, sewer and drainage facilities (except for the interim wastewater treatment plant) to Sienna Plantation Municipal Utility District No. 1 for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

On January 6, 2020, the District adopted a resolution authorizing the change of the District's name to Sienna Municipal Utility District No. 5. The District submitted the resolution to TCEQ for approval on March 26, 2020. The request has not been approved as of April 30, 2020.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements

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

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

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

- The General Fund is used to account for the operations of the District’s facilities and all other financial transactions not reported in other funds. The principal sources of revenue are connection charges, fire connection charges, renewal and replacements charges and surface water charges. 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 contract 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 and road 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.

Sienna Plantation Municipal Utility District No. 5
Notes to Basic Financial Statements
April 30, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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.

Prepaid Items

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

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.

Sienna Plantation Municipal Utility District No. 5
Notes to Basic Financial Statements
April 30, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities and landscaping improvements, are depreciated using the straight-line method as follows

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	20-45 years
Landscaping improvements	20 years

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

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

Sienna Plantation Municipal Utility District No. 5
Notes to Basic Financial Statements
April 30, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developers; the value of capital assets transferred to other governments 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. 5
Notes to Basic Financial Statements
April 30, 2020

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	\$	2,584,152
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$	28,061,832
Less accumulated depreciation		<u>(2,308,691)</u>
Change due to capital assets		25,753,141

Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		(36,149,695)
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The District's note payable to Sienna Plantation Municipal Utility District No. 1 is not due and payable in the current period and is not reported as a liability in the governmental funds. It is, however, recorded as a liability in the <i>Statement of Net Position</i> .		(2,076,000)
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Accrued interest payable on the District's obligation to Sienna Plantation Municipal Utility District No. 1 is not due and payable in the current period and is not recorded in the governmental fund statements. It is, however, recorded as a liability in <i>Statement of Net Position</i> .		(61,427)
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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.		(24,773,261)
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Total net position - governmental activities	<u>\$</u>	<u>(34,723,090)</u>
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Sienna Plantation Municipal Utility District No. 5
Notes to Basic Financial Statements
April 30, 2020

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 \$ 1,373,474

Governmental funds report capital outlays for developer reimbursements 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 outlay	\$ 5,588,501	
Depreciation expense	(894,779)	
	4,693,722	4,693,722

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.

Proceeds from sale of bonds	(15,465,000)	
Principal payments	255,000	
Repayment of bond anticipation note	4,412,000	
Interest expense accrual	42,257	
	(10,755,743)	(10,755,743)

The District conveys certain infrastructure to other governmental entities upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments.

(4,427,723)

Amounts advanced by the District's developer for interest payments on the District's note payable provide resources at the fund level, but are recognized as a liability in the *Statement of Net Position*.

(124,560)

Amounts repaid to Fort Bend County for construction advances use financial resources at the fund level, but reduce the liability in the *Statement of Net Position*.

1,802,332

Amounts repaid to the District's developer for operating advances use financial resources at the fund level, but reduce the liability in the *Statement of Net Position*.

51,835

Change in net position of governmental activities

\$ (7,386,663)

Sienna Plantation Municipal Utility District No. 5
Notes to Basic Financial Statements
April 30, 2020

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

As of April 30, 2020, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 655,433	AAAm	31 days
	Debt Service	1,566,403		
	Capital Projects	333,937		
Total		<u>\$ 2,555,773</u>		

Sienna Plantation Municipal Utility District No. 5
Notes to Basic Financial Statements
April 30, 2020

Note 3 – Deposits and Investments (continued)

TexPool

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

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

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 Transactions

During the current fiscal year, the District transferred \$588,267 from the Capital Projects Fund to the General Fund to reimburse wastewater treatment plant lease expenses.

Sienna Plantation Municipal Utility District No. 5
Notes to Basic Financial Statements
April 30, 2020

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended April 30, 2020, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 57,299	\$ -	\$ 57,299
Capital assets being depreciated			
Infrastructure	14,332,584	3,863,558	18,196,142
Landscaping improvements	6,000,336	3,808,055	9,808,391
	<u>20,332,920</u>	<u>7,671,613</u>	<u>28,004,533</u>
Less accumulated depreciation			
Infrastructure	(779,852)	(404,359)	(1,184,211)
Landscaping improvements	(634,060)	(490,420)	(1,124,480)
	<u>(1,413,912)</u>	<u>(894,779)</u>	<u>(2,308,691)</u>
Subtotal depreciable capital assets, net	<u>18,919,008</u>	<u>6,776,834</u>	<u>25,695,842</u>
Capital assets, net	<u>\$ 18,976,307</u>	<u>\$ 6,776,834</u>	<u>\$ 25,753,141</u>

Depreciation expense for the current year was \$894,779.

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.

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of \$4,412,000. This BAN was repaid on October 8, 2019 with proceeds from the issuance of the District’s Series 2019 Contract Tax Bonds.

The effect of this transaction on the District’s short-term obligations are as follows:

Beginning balance	\$ 4,412,000
Amounts repaid	<u>(4,412,000)</u>
Ending balance	<u>\$ -</u>

Sienna Plantation Municipal Utility District No. 5
Notes to Basic Financial Statements
April 30, 2020

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, fire-fighting, park and recreational facilities, and road improvements. 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.

The District's developers have also advanced funds to the District for operating expenses.

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

Due to developer, beginning of year	\$ 29,566,135
Developer reimbursements	(5,588,501)
Developer funded construction and adjustments	12,099,336
Operating advances from developer	124,560
Repayment of operating advances	<u>(51,835)</u>
Due to developer, end of year	<u>\$ 36,149,695</u>

Sienna Plantation Municipal Utility District No. 5
Notes to Basic Financial Statements
April 30, 2020

Note 7 – Due to Developers (continued)

In addition, the District will owe the developers approximately \$6,346,512, 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.

Description	Contract Amount	Amounts Paid	Remaining Commitment
Southbound Right turn lane and signalization at Sienna Parkway and FM 521	\$ 280,053	\$ 267,453	\$ 12,600
Signalization at Sienna Parkway and Plantation River Parkway	397,286	259,258	138,028
Signalization at Sienna Parkway and Waters Lake Boulevard	658,993	545,701	113,292
Sienna Parkway southbound additional left turn lane at Steep Bank Trace	261,079	203,779	57,300
Lift Station No. 3	920,910	275,850	645,060
Channel 4 expansion and drainage channel	1,579,402	45,276	1,534,126
Sienna Plantation Section 16 park fencing	46,043	41,439	4,604
Sienna Plantation Section 16 park	574,366	331,110	243,256
Sienna Plantation Section 15A and 17 landscaping and irrigation	269,458	211,476	57,982
Sienna Plantation Section 15B landscaping and irrigation	156,952	141,256	15,695
Sienna Plantation Section 33A landscaping and irrigation	151,925	94,883	57,043
Sienna Plantation Section 25 landscaping and irrigation	384,415	273,303	111,112
Sienna Plantation Section 24 landscaping and irrigation	383,715	121,911	261,804
Force main from lift station No. 3 to the regional wastewater treatment plant	281,916		281,916
	<u>\$ 6,346,512</u>	<u>\$ 2,812,695</u>	<u>\$ 3,533,817</u>

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 24,855,000
Unamortized discounts	(81,739)
	<u>\$ 24,773,261</u>
Due within one year	<u>\$ 585,000</u>

Sienna Plantation Municipal Utility District No. 5
Notes to Basic Financial Statements
April 30, 2020

Note 8 – Long-Term Debt (continued)

The District’s bonds payable at April 30, 2020, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2015 Road	\$ 1,045,000	\$ 1,100,000	3.10% - 4.00%	November 1, 2018/2040	November 1, May 1	November 1, 2023
2016	2,055,000	2,170,000	1.75% - 3.50%	November 1, 2018/2041	November 1, May 1	November 1, 2024
2017	6,290,000	6,645,000	2.00% - 4.00%	November 1, 2018/2042	November 1, May 1	November 1, 2025
2019	7,050,000	7,050,000	2.00% - 4.50%	November 1, 2020/2044	November 1, May 1	November 1, 2024
2019 Road	8,415,000	8,415,000	2.00% - 4.50%	November 1, 2020/2044	November 1, May 1	November 1, 2024
	<u>\$ 24,855,000</u>					

Payments of principal and interest on all series of contract revenue bonds are to be provided from the participating districts, including the District in its capacity as a participating district, based on their pro rata share of the total certified assessed valuation of all participating districts. The participating districts are contractually required to levy a contract tax in an amount sufficient to meet their required contribution. 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.

On October 8, 2019, the District issued its \$7,050,000 Series 2019 Contract Revenue Bonds with net effective interest rate of 2.901666%. Proceeds of the bonds were used to (1) reimburse developers for the cost of regional facilities constructed within the Master District service area plus interest expense at the net effective interest rate of the bonds and (2) to repay a \$4,412,000 BAN issued in the previous fiscal year.

On October 8, 2019, the District issued its \$8,415,000 Series 2019 Contract Revenue Road Bonds with net effective interest rate of 2.992501%. Proceeds of the bonds were used to (1) reimburse developers for the cost of regional road improvements constructed within the Master District service area plus interest expense at the net effective interest rate of the bonds; (2) reimburse Fort Bend County for construction advances (see Note 14) plus interest expense and (3) to pay capitalized interest into the Debt Service Fund.

At April 30, 2020, the Master District had contract revenue bonds of \$425,935,000 authorized, but unissued for the purposes of regional water, sanitary sewer and drainage facilities; \$218,300,000 for regional parks and recreational facilities; \$239,985,000 for road improvements; and \$32,800,000 for fire-fighting facilities.

Sienna Plantation Municipal Utility District No. 5
Notes to Basic Financial Statements
April 30, 2020

Note 8 – Long-Term Debt (continued)

At April 30, 2020, the District, in its capacity as a participating district, had \$12,300,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$2,900,000 for parks and recreational facilities; and \$9,200,000 for road improvements.

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

Bonds payable, beginning of year	\$ 9,645,000
Bonds issued	15,465,000
Bonds retired	(255,000)
Bonds payable, end of year	<u>\$ 24,855,000</u>

The debt service payment due May 1 was made during the current fiscal year. The following schedule of future annual debt service requirements was prepared presuming this practice will continue:

Year	Principal	Interest	Totals
2021	\$ 585,000	\$ 770,289	\$ 1,355,289
2022	660,000	748,603	1,408,603
2023	685,000	723,860	1,408,860
2024	720,000	697,001	1,417,001
2025	745,000	668,927	1,413,927
2026	770,000	639,807	1,409,807
2027	805,000	609,469	1,414,469
2028	835,000	578,354	1,413,354
2029	870,000	552,057	1,422,057
2030	905,000	529,949	1,434,949
2031	945,000	506,458	1,451,458
2032	975,000	481,671	1,456,671
2033	1,015,000	455,358	1,470,358
2034	1,060,000	426,837	1,486,837
2035	1,105,000	396,226	1,501,226
2036	1,150,000	363,723	1,513,723
2037	1,200,000	328,972	1,528,972
2038	1,240,000	291,987	1,531,987
2039	1,295,000	253,031	1,548,031
2040	1,345,000	211,332	1,556,332
2041	1,405,000	165,894	1,570,894
2042	1,375,000	119,306	1,494,306
2043	1,290,000	75,778	1,365,778
2044	920,000	41,363	961,363
2045	955,000	13,781	968,781
	<u>\$ 24,855,000</u>	<u>\$ 10,650,036</u>	<u>\$ 35,505,036</u>

Sienna Plantation Municipal Utility District No. 5
Notes to Basic Financial Statements
April 30, 2020

Note 9 – Transfers to Other Governments

In accordance with an agreement between the District and Sienna Plantation Municipal Utility District 1 (“MUD 1”), the District transfers its regional water, sewer and drainage facilities (with the exception of the interim wastewater treatment plant) to MUD 1 (see Note 11). The District also constructs road facilities which are conveyed to Fort Bend County for maintenance and operations. Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. For the year ended April 30, 2020, the total amount of projects completed and transferred to MUD 1 and County was \$4,427,723.

Note 10 – Lease Agreement

On August 14, 2014, the District entered into an operating lease agreement for a wastewater treatment plant. This lease was effective on September 1, 2015 and is for a 60 month term, unless otherwise terminated. The District has the option to extend the lease on a month to month basis following expiration of the term. The District also has the option to purchase the temporary wastewater treatment plant for the residual value of the plant at any time. Total costs for all such monthly lease payments for the fiscal year ended April 30, 2020 was \$285,000. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment.

Monthly payments for the lease are \$23,750. Future minimum leases payments for the 2021 fiscal year are \$95,000. The initial term of the lease agreement will end on August 30, 2020, after which the lease will convert to a month to month basis with monthly payments of \$22,000.

Standard lease terms require the District to prepay the last month’s lease payment upon inception of the lease. All such amounts are recorded as a prepaid expense on the statement of net position.

Note 11 – Master District

On May 13, 2013 the District entered into a contract (the “Mater District Contract”) with Sienna Plantation Municipal Utility District No. 4 (the “MUD 4”), Sienna Plantation Municipal Utility District No. 6 (the “MUD 6”), Sienna Plantation Municipal Utility District No. 7 (the “MUD 7”) and itself as a participant (the “Participants”), whereby the District will construct and finance all regional water, wastewater, drainage, road, fire-fighting and park facilities on behalf of the Participants. Pursuant to the Utility Contract with MUD 1 (see Note 12), the water, wastewater and drainage facilities (other than the interim wastewater treatment plant) will be conveyed to MUD 1 for MUD 1 to own, operate and maintain such facilities to serve the Sienna South service area. The District also constructs road facilities which are conveyed to Fort Bend County for operation and maintenance.

The District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional facilities needed to provide services to all Participating districts. All Participants shall contribute to the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts. During the current year, participating districts paid contract taxes in the amount of \$1,691,088.

Sienna Plantation Municipal Utility District No. 5
Notes to Basic Financial Statements
April 30, 2020

Note 11 – Master District (continued)

The District also has the option to finance the road and park facilities through connection charges, which will be determined based on the number of estimated total connections to be constructed within the service area.

The Master District Contract authorizes the establishment of an operating and maintenance reserve by the District equivalent to three months' operating and maintenance expenses, as set forth in the District's annual budget. As of April 30, 2020, the District has established an operating and maintenance reserve of \$215,090. The District shall adjust the reserve as needed, not less than annually.

The District will charge each Participant a monthly fee based on the unit cost per connection multiplied by the number of equivalent single family connections reserved to the District. The monthly fee will also include those monthly operations from MUD 1, pursuant to the Utility Contract. For the current fiscal year, the District recorded participant billings in the amount of \$1,777,098 from MUDs 4 and 6, which consists of \$464,938 in fire connection fees, \$654,561 in surface water billings, \$44,214 in renewal and replacement fees, and \$613,385 in monthly connection charges. As of April 30, 2020, MUD 7 has no active connections.

Note 12 – Utility Contracts with Sienna Plantation Municipal Utility District No. 1

In 2006, the District entered into a contract with Sienna Plantation Municipal Utility District No. 1 (MUD 1) for financing, operation and maintenance of regional water, sanitary sewer and storm sewer facilities (the "MUD 1 Regional Contract"). The MUD 1 Regional Contract includes other participating districts that are not part of the Master District (Sienna Plantation Municipal Utility District No. 5) service area. Pursuant to this contract, MUD 1 has the authority to construct, acquire and finance regional water, wastewater and park facilities to serve the master planned community known as Sienna Plantation.

In 2009, the District (on behalf of the participants) entered into a Utility Contract with MUD 1 with for the purposes of amending and supplementing the MUD 1 Regional Contract. The parties agreed that the District will construct and finance the regional water, sewer and drainage facilities that serve the service area. Once constructed, the District will convey these facilities (other than interim wastewater treatment facilities) to MUD 1 for ownership, operation and maintenance. Upon conveyance, the District is not obligated to pay connection charges in order to receive water and sewer service from MUD 1; however, the District will pay monthly operations charges to MUD 1 on behalf of the participants for their pro-rata share of operation and maintenance expenses.

The District currently has purchased capacity in water plants owned by MUD 1 and leases and operates an interim wastewater treatment plant. The District has participated in the construction of a permanent wastewater treatment plant owned and operated by MUD 1 and receives surface water from the City of Missouri City.

Sienna Plantation Municipal Utility District No. 5
Notes to Basic Financial Statements
April 30, 2020

Note 12 – Utility Contracts with Sienna Plantation Municipal Utility District No. 1 (continued)

MUD 1 has limited authority to issue contract revenue bonds, specifically MUD 1 may only issue contract revenue bonds for acquisition, construction or improvement of (1) surface water facilities (2) a regional facility to comply with any regulatory requirement; (3) payment of extraordinary expenses of repairing or maintaining the regional facilities; or (4) a permanent wastewater treatment plant. The District shall be obligated to contribute to the payment of MUD 1’s debt service requirements based on its allocated share of the debt until such time as the bonds have been repaid. The District shall charge each Master District participant its pro rata share of the MUD 1 debt service requirement based on assessed values in each district. On May 29, 2018, MUD 1 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 some of the participating districts. The District’s pro-rata share of the total cost (including financing) of the regional facilities is \$12,695,000 which was funded entirely by the District’s allocated share of the MUD 1 bond proceeds.

As of April 30, 2020, MUD 1 has \$24,740,000 in contract revenue bonds outstanding and the District’s share of said bonds is \$12,695,000. MUD 1 bills the District in January of each year for MUD 1’s debt service payments due on May 1 and November 1 of that calendar year. During the current fiscal year, the District paid \$287,691 to MUD 1 for its pro rata share of the 2020 debt service requirement. This amount is reported as “Intergovernmental – contractual obligation” on the *Statement of Activities*. The District’s future annual obligation to MUD 1 for MUD 1’s debt service requirements (principle and interest) for each of the next five years and in five year increments thereafter is as follows:

Year	Annual Debt Service
2021	\$ 287,691
2022	287,691
2023	287,691
2024	677,691
2025	681,295
2026 - 2030	3,394,815
2031 - 2035	3,394,137
2036 - 2040	3,393,791
2041 - 2045	3,394,343
2046 - 2048	2,037,230
	<u>\$ 17,836,375</u>

Note 12 – Utility Contracts with Sienna Plantation Municipal Utility District No. 1 (continued)

Joint Construction Agreement for Fire Facilities

The District is part of a fire plan with MUD 1 whereby the City of Missouri City will construct a fire station and provide fire services to the District. MUD 1 and the City entered into a fire protection agreement which establishes the terms and conditions for the construction of a new fire station and the acquisition of a new fire truck to serve Sienna Plantation. The cost of the fire station and the fire truck was paid by the internal Sienna Plantation Districts served by the fire station on a pro-rata basis. Sienna Plantation Municipal Utility District Nos. 1, 2 and 3 contributed their pro-rata shares of the costs to MUD 1, the District and Sienna Plantation Municipal Utility District Nos. 4, 6 and 7 (Sienna South Districts) have received a loan from Sienna Plantation Municipal Utility District No. 3 (MUD 3) in the amount of \$2,076,000 to fund their pro-rata share.

MUD 1 and the District entered into an agreement whereby the District will reimburse MUD 1 on behalf of all the Sienna South Districts for the loan from MUD 3. The District will pay interest to MUD 1 of 6% annually and will fully reimburse MUD 1 upon the occurrence of a triggering event, as defined by the agreement, or by October 1, 2025, whichever comes first.

The District's obligation to reimburse MUD 1 in the amount of \$2,076,000 is recognized as a note payable on the *Statement of Net Position*. As of April 30, 2020, the District's developers have paid \$871,921 in interest to MUD 1 on behalf of the District.

Note 13 – Strategic Partnership Agreement and Development Agreement with the City of Missouri City

Under existing Texas law, since the District, as the Master District, and each of the participants lie wholly within the extraterritorial jurisdiction of the City of Missouri City (the "City"), each participant must conform to a City consent ordinance. The Participants and the City have entered into Strategic Partnership Agreements that govern the terms of annexation. The District, as the Master District, may not be annexed until Participants are annexed. In addition, without an agreement in place, no Participant may be annexed by the City without consent; however, under Texas law, the City cannot annex territory within a district unless it annexes the entire district. If a Participant is annexed, the City will assume the Participant's assets and obligations (including the Participant's obligation under the Master District Contract) and dissolve the Participant within ninety days.

In the Strategic Partnership Agreements, the City and Participants agreed that a component of the Participants' tax rate is for the Contract Tax Payments pursuant to the Master District Contract; and the other component of the Participants' tax rate is to administer, operate and maintain the internal District facilities ("Internal Facilities Tax"). To the extent permitted by law, the Participants agree that for so long as they have debt outstanding, the Internal Facilities Tax will never be less than the City's ad valorem tax rate, unless specifically consented to by the City.

Sienna Plantation Municipal Utility District No. 5
Notes to Basic Financial Statements
April 30, 2020

Note 14 - Interlocal Agreement for Transportation Facilities

On October 2, 2012, as amended on December 5, 2017, the District entered into an interlocal agreement with Fort Bend County for the allocation of costs associated with the construction and rehabilitation of certain public transportation improvements. The District was designated as project manager by the parties to the agreement.

During the previous fiscal year, the County advanced \$1,802,532 to the District for its share of project costs. During the current year, the District reimbursed the County for the construction advance in the amount of \$1,802,532 plus interest of \$83,096.

Note 15 – 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 16 – Concentration of Risk

Developers continue to own a substantial portion of the taxable property within the Master District service area. The District relies on various fees and contract taxes from participating districts. The ability of developers to continue to pay property taxes to participating districts may directly impact the participating districts ability to pay fees and taxes to the District.

Note 17 – 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. 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. On March 31, 2020, the Governor issued an executive order closing all non-essential businesses in the State. This order expired on April 30, 2020. Additionally, all the counties in the greater Houston area adopted various “Work Safe – Stay Home” orders. Such actions are focused on limiting instances where the public can congregate or interact with each other. These precautions resulted in the temporary closure of all non-essential businesses in the State.

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 the economic growth and financial markets worldwide and within Texas. These negative impacts may reduce or negatively affect property taxes and ad valorem tax revenues within the District.

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of Pandemic could have an adverse effect on the District’s operations and financial condition.

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Required Supplementary Information

*Sienna Plantation Municipal Utility District No. 5
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended April 30, 2020*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Monthly connections	\$ 570,861	\$ 613,385	\$ 42,524
Fire connection charges	425,571	464,938	39,367
Surface water fees	495,417	654,561	159,144
Renewal and replacement charges	35,744	44,214	8,470
Investment earnings	4,500	5,314	814
Total Revenues	<u>1,532,093</u>	<u>1,782,412</u>	<u>250,319</u>
Expenditures			
Current service operations			
Professional fees	146,500	166,874	(20,374)
Contracted services	63,500	89,683	(26,183)
Repairs and maintenance	117,500	87,849	29,651
Utilities	45,000	56,736	(11,736)
Administrative	34,259	43,301	(9,042)
Other	9,500	16,760	(7,260)
Lease	285,000	285,000	
Debt Service			
Interest and fees		124,560	(124,560)
Intergovernmental			
Monthly connection charges	1,115,834	1,333,691	(217,857)
Total Expenditures	<u>1,817,093</u>	<u>2,204,454</u>	<u>(387,361)</u>
Revenues Under Expenditures	(285,000)	(422,042)	(137,042)
Other Financing Sources			
Internal transfers		588,267	588,267
Developer advances		124,560	124,560
Net Change in Fund Balance	(285,000)	290,785	575,785
Fund Balance			
Beginning of the year	393,213	393,213	
End of the year	<u>\$ 108,213</u>	<u>\$ 683,998</u>	<u>\$ 575,785</u>

Sienna Plantation Municipal Utility District No. 5
Notes to Required Supplementary Information
April 30, 2020

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Sienna Plantation Municipal Utility District No. 5
TSI-1. Services and Rates
April 30, 2020

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

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

2. Retail Service Providers

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

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

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

District employs winter averaging for wastewater usage? Yes No

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

mai Water and Wastewater Retail Connections:

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

See accompanying auditor's report.

*Sienna Plantation Municipal Utility District No. 5
TSI-2 General Fund Expenditures
For the Year Ended April 30, 2020*

Professional fees		
Legal	\$	122,409
Audit		11,500
Engineering		32,965
		<u>166,874</u>
Contracted services		
Bookkeeping		32,850
Operator		29,484
Sludge removal		27,349
		<u>89,683</u>
Repairs and maintenance		<u>87,849</u>
Utilities		<u>56,736</u>
Administrative		
Directors fees		7,800
Printing and office supplies		2,085
Insurance		8,843
Other		24,573
		<u>43,301</u>
Other		<u>16,760</u>
Lease		<u>285,000</u>
Debt service		
Interest on note payable		<u>124,560</u>
Intergovernmental		
Monthly connection charges		<u>1,333,691</u>
Total expenditures	\$	<u><u>2,204,454</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	837,920 kWh	\$ 56,736
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Sienna Plantation Municipal Utility District No. 5
TSI-3. Investments
April 30, 2020

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexPool	Variable	N/A	\$ 136,347
TexPool	Variable	N/A	519,086
			<u>655,433</u>
Debt Service			
TexPool	Variable	N/A	28,644
TexPool	Variable	N/A	786,615
TexPool	Variable	N/A	634,991
TexPool	Variable	N/A	115,284
TexPool	Variable	N/A	869
			<u>1,566,403</u>
Capital Projects			
TexPool	Variable	N/A	125,143
TexPool	Variable	N/A	208,794
			<u>333,937</u>
Total - All Funds			<u><u>\$ 2,555,773</u></u>

See accompanying auditors' report.

Sienna Plantation Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2015 Road Bonds--by Years
April 30, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due November 1</u>	<u>Interest Due November 1, May 1</u>	<u>Total</u>
2021	\$ 30,000	\$ 38,478	\$ 68,478
2022	30,000	37,548	67,548
2023	30,000	36,618	66,618
2024	35,000	35,610	70,610
2025	35,000	34,525	69,525
2026	35,000	33,431	68,431
2027	40,000	32,230	72,230
2028	40,000	30,910	70,910
2029	45,000	29,453	74,453
2030	45,000	27,833	72,833
2031	50,000	26,050	76,050
2032	50,000	24,150	74,150
2033	50,000	22,200	72,200
2034	55,000	20,100	75,100
2035	60,000	17,800	77,800
2036	60,000	15,400	75,400
2037	65,000	12,900	77,900
2038	65,000	10,300	75,300
2039	70,000	7,600	77,600
2040	75,000	4,700	79,700
2041	80,000	1,600	81,600
	<u>\$ 1,045,000</u>	<u>\$ 499,436</u>	<u>\$ 1,544,436</u>

See accompanying auditors' report.

Sienna Plantation Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2016 WSD Bonds--by Years
April 30, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due November 1</u>	<u>Interest Due November 1, May 1</u>	<u>Total</u>
2021	\$ 60,000	\$ 62,617	\$ 122,617
2022	65,000	61,273	126,273
2023	65,000	59,810	124,810
2024	70,000	58,222	128,222
2025	70,000	56,508	126,508
2026	75,000	54,657	129,657
2027	75,000	52,670	127,670
2028	80,000	50,538	130,538
2029	80,000	48,257	128,257
2030	85,000	45,822	130,822
2031	90,000	43,198	133,198
2032	90,000	40,452	130,452
2033	95,000	37,561	132,561
2034	100,000	34,415	134,415
2035	105,000	31,033	136,033
2036	110,000	27,485	137,485
2037	115,000	23,715	138,715
2038	115,000	19,805	134,805
2039	120,000	15,750	135,750
2040	125,000	11,463	136,463
2041	130,000	7,000	137,000
2042	135,000	2,362	137,362
	<u>\$ 2,055,000</u>	<u>\$ 844,613</u>	<u>\$ 2,899,613</u>

See accompanying auditors' report.

Sienna Plantation Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2017 WSD Bonds--by Years
April 30, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due November 1</u>	<u>Interest Due November 1, May 1</u>	<u>Total</u>
2021	\$ 175,000	\$ 219,631	\$ 394,631
2022	180,000	216,081	396,081
2023	185,000	211,506	396,506
2024	195,000	205,806	400,806
2025	200,000	199,881	399,881
2026	210,000	193,731	403,731
2027	220,000	187,281	407,281
2028	225,000	180,606	405,606
2029	235,000	173,559	408,559
2030	245,000	165,906	410,906
2031	255,000	157,622	412,622
2032	265,000	148,681	413,681
2033	275,000	139,231	414,231
2034	285,000	129,253	414,253
2035	295,000	118,556	413,556
2036	310,000	107,213	417,213
2037	320,000	95,000	415,000
2038	335,000	81,900	416,900
2039	350,000	68,200	418,200
2040	360,000	54,000	414,000
2041	375,000	39,300	414,300
2042	390,000	24,000	414,000
2043	405,000	8,100	413,100
	<u>\$ 6,290,000</u>	<u>\$ 3,125,047</u>	<u>\$ 9,415,047</u>

See accompanying auditors' report.

Sienna Plantation Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2019 WSD Bonds--by Years
April 30, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due November 1</u>	<u>Interest Due November 1, May 1</u>	<u>Total</u>
2021	\$ 145,000	\$ 202,613	\$ 347,613
2022	175,000	195,413	370,413
2023	185,000	187,313	372,313
2024	190,000	178,875	368,875
2025	200,000	170,100	370,100
2026	205,000	160,988	365,988
2027	215,000	151,538	366,538
2028	225,000	141,919	366,919
2029	230,000	134,838	364,838
2030	240,000	130,138	370,138
2031	250,000	125,238	375,238
2032	260,000	120,138	380,138
2033	270,000	114,669	384,669
2034	280,000	108,650	388,650
2035	295,000	102,181	397,181
2036	305,000	95,241	400,241
2037	320,000	87,819	407,819
2038	330,000	79,894	409,894
2039	345,000	71,456	416,456
2040	360,000	62,644	422,644
2041	375,000	52,519	427,519
2042	390,000	41,044	431,044
2043	405,000	29,878	434,878
2044	420,000	18,263	438,263
2045	435,000	5,981	440,981
	<u>\$ 7,050,000</u>	<u>\$ 2,769,350</u>	<u>\$ 9,819,350</u>

See accompanying auditors' report.

Sienna Plantation Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2019 Road Bonds--by Years
April 30, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due November 1</u>	<u>Interest Due November 1, May 1</u>	<u>Total</u>
2021	\$ 175,000	\$ 246,950	\$ 421,950
2022	210,000	238,288	448,288
2023	220,000	228,613	448,613
2024	230,000	218,488	448,488
2025	240,000	207,913	447,913
2026	245,000	197,000	442,000
2027	255,000	185,750	440,750
2028	265,000	174,381	439,381
2029	280,000	165,950	445,950
2030	290,000	160,250	450,250
2031	300,000	154,350	454,350
2032	310,000	148,250	458,250
2033	325,000	141,697	466,697
2034	340,000	134,419	474,419
2035	350,000	126,656	476,656
2036	365,000	118,384	483,384
2037	380,000	109,538	489,538
2038	395,000	100,088	495,088
2039	410,000	90,025	500,025
2040	425,000	78,525	503,525
2041	445,000	65,475	510,475
2042	460,000	51,900	511,900
2043	480,000	37,800	517,800
2044	500,000	23,100	523,100
2045	520,000	7,800	527,800
	<u>\$ 8,415,000</u>	<u>\$ 3,411,590</u>	<u>\$ 11,826,590</u>

See accompanying auditors' report.

Sienna Plantation Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
April 30, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due November 1</u>	<u>Interest Due November 1, May 1</u>	<u>Total</u>
2021	\$ 585,000	\$ 770,289	\$ 1,355,289
2022	660,000	748,603	1,408,603
2023	685,000	723,860	1,408,860
2024	720,000	697,001	1,417,001
2025	745,000	668,927	1,413,927
2026	770,000	639,807	1,409,807
2027	805,000	609,469	1,414,469
2028	835,000	578,354	1,413,354
2029	870,000	552,057	1,422,057
2030	905,000	529,949	1,434,949
2031	945,000	506,458	1,451,458
2032	975,000	481,671	1,456,671
2033	1,015,000	455,358	1,470,358
2034	1,060,000	426,837	1,486,837
2035	1,105,000	396,226	1,501,226
2036	1,150,000	363,723	1,513,723
2037	1,200,000	328,972	1,528,972
2038	1,240,000	291,987	1,531,987
2039	1,295,000	253,031	1,548,031
2040	1,345,000	211,332	1,556,332
2041	1,405,000	165,894	1,570,894
2042	1,375,000	119,306	1,494,306
2043	1,290,000	75,778	1,365,778
2044	920,000	41,363	961,363
2045	955,000	13,781	968,781
	<u>\$ 24,855,000</u>	<u>\$ 10,650,036</u>	<u>\$ 35,505,036</u>

See accompanying auditors' report.

Sienna Plantation Municipal Utility District No. 5
TSI-6. Change in Long-Term Bonded Debt
April 30, 2020

	Bond Issue			
	Series 2015 Road	Series 2016	Series 2017	Series 2019
Interest rate	3.10% - 4.00%	1.75% - 3.50%	2.00% - 4.00%	2.00% - 4.50%
Dates interest payable	11/1; 5/1	11/1; 5/1	11/1; 5/1	11/1; 5/1
Maturity dates	11/1/18 - 11/1/40	11/1/18 - 11/1/41	11/1/18 - 11/1/42	11/1/20 - 11/1/44
Beginning bonds outstanding	\$ 1,075,000	\$ 2,115,000	\$ 6,455,000	\$ -
Bonds issued				7,050,000
Bonds retired	<u>(30,000)</u>	<u>(60,000)</u>	<u>(165,000)</u>	
Ending bonds outstanding	<u>\$ 1,045,000</u>	<u>\$ 2,055,000</u>	<u>\$ 6,290,000</u>	<u>\$ 7,050,000</u>
Interest paid during fiscal year	<u>\$ 39,408</u>	<u>\$ 63,848</u>	<u>\$ 223,031</u>	<u>\$ 120,094</u>
Paying agent's name and city	<u>Regions Bank, Houston, Texas</u>			
All series	Water, Sewer and Drainage Bonds	Park Bonds	Road Bonds	Fire Bonds
Master District Contract Revenue Bond Authority:				
Amount Authorized by Voters	\$ 441,800,000	\$ 218,300,000	\$ 249,500,000	\$ 32,800,000
Amount Issued	<u>(15,865,000)</u>		<u>(9,515,000)</u>	
Remaining To Be Issued	<u>\$ 425,935,000</u>	<u>\$ 218,300,000</u>	<u>\$ 239,985,000</u>	<u>\$ 32,800,000</u>

All contract revenue bonds are secured with contract tax revenues from participating districts.

	Water, Sewer and Drainage Bonds	Park Bonds	Road Bonds
	Internal District Unlimited Tax Bond Authority:		
Amount Authorized by Voters	\$ 12,300,000	\$ 2,900,000	\$ 9,200,000
Amount Issued			
Remaining To Be Issued	<u>\$ 12,300,000</u>	<u>\$ 2,900,000</u>	<u>\$ 9,200,000</u>

All unlimited tax bonds are secured with tax revenues imposed and collected by the District.

Debt Service Fund cash and investment balances as of April 30, 2020:	<u>\$ 1,566,403</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 1,420,201</u>

See accompanying auditors' report.

<u>Bond Issue</u>	
<u>Series 2019</u>	<u>Totals</u>
<u>Road</u>	
2.00% - 4.50%	
11/1; 5/1	
11/1/20 -	
11/1/44	
\$ -	\$ 9,645,000
8,415,000	15,465,000
	<u>(255,000)</u>
<u>\$ 8,415,000</u>	<u>\$ 24,855,000</u>
<u>\$ 146,351</u>	<u>\$ 592,731</u>

Sienna Plantation Municipal Utility District No. 5
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Monthly connection fees	\$ 613,385	\$ 607,345	\$ 456,903	\$ 469,954	\$ 183,815
Fire connection charges	464,938	368,983	258,065		
Surface water fees	654,561	438,149	311,528		
Renewal and replacement charges	44,214	30,692	21,257		
Internal district lease contributions				190,000	190,000
Tap connections				358,422	
Investment earnings	5,314	5,562	3,945	82	69
Total Revenues	<u>1,782,412</u>	<u>1,450,731</u>	<u>1,051,698</u>	<u>1,018,458</u>	<u>373,884</u>
Expenditures					
Current service operations					
Professional fees	166,874	172,108	111,769	98,946	126,347
Contracted services	89,683	88,140	87,331	49,666	97,072
Repairs and maintenance	87,849	72,811	58,592	71,558	37,347
Utilities	56,736	39,704	27,778	30,764	185
Administrative	43,301	25,308	21,519	17,306	19,232
Other	16,760	12,721	7,700	4,632	4,126
Lease	285,000	285,000	237,500	285,000	190,000
Debt service					
Interest and fees	124,560	124,560			
Intergovernmental					
Monthly connection charges	1,333,691	984,496	735,247	106,277	
Contractual obligations				327	48,126
Total Expenditures	<u>2,204,454</u>	<u>1,804,848</u>	<u>1,287,436</u>	<u>664,476</u>	<u>522,435</u>
Revenues Over/(Under) Expenditures	<u>\$ (422,042)</u>	<u>\$ (354,117)</u>	<u>\$ (235,738)</u>	<u>\$ 353,982</u>	<u>\$ (148,551)</u>

*Percentage is negligible

**Unaudited

See accompanying auditors' report.

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
35%	43%	43%	46%	49%
26%	25%	25%		
37%	30%	30%		
2%	2%	2%		
			19%	51%
			35%	
*	*	*	*	*
100%	100%	100%	100%	100%
9%	12%	11%	10%	34%
5%	6%	8%	5%	26%
5%	5%	6%	7%	10%
3%	3%	3%	3%	*
2%	2%	2%	2%	5%
1%	1%	1%		1%
16%	20%	23%	28%	51%
7%	9%			
75%	68%	70%	10%	
			*	13%
123%	126%	124%	65%	140%
(23%)	(26%)	(24%)	35%	(40%)

Sienna Plantation Municipal Utility District No. 5
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Accrued interest on bonds sold	\$ -	\$ -	\$ -	\$ 4,724	\$ 1,016
Contract tax	1,691,088	993,162	623,906	103,054	
Investment earnings	14,141	12,443	3,167	615	31
Total Revenues	<u>1,705,229</u>	<u>1,005,605</u>	<u>627,073</u>	<u>108,393</u>	<u>1,047</u>
Expenditures					
Administrative			6	144	162
Debt service					
Principal	255,000	270,000			
Interest and fees	586,268	334,133	225,028	79,553	16,936
Contractual obligations	287,691	409,161			
Total Expenditures	<u>1,128,959</u>	<u>1,013,294</u>	<u>225,034</u>	<u>79,697</u>	<u>17,098</u>
Revenues Over/(Under) Expenditures	<u>\$ 576,270</u>	<u>\$ (7,689)</u>	<u>\$ 402,039</u>	<u>\$ 28,696</u>	<u>\$ (16,051)</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
			4%	97%
99%	99%	99%	95%	
1%	1%	1%	1%	3%
100%	100%	100%	100%	100%
		*	*	15%
15%	27%			
34%	33%	36%	73%	1618%
17%	41%			
66%	101%	36%	73%	1633%
34%	(1%)	64%	27%	(1533%)

Sienna Plantation Municipal Utility District No. 5
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended April 30, 2020

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): April 17, 2017
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
Board Members:				
Mark Kilkenny	5/16 to 5/20	\$ 1,200	\$ 146	President
Joe Price	5/16 to 5/20	1,500	156	Vice President
Lisa Kinzel	5/18 to 5/22	1,350	195	Secretary
Gary Ross	4/17 to 5/20	1,500	42	Assistant Vice President
Douglas Earle	5/18 to 5/22	2,250	1,006	Assistant Secretary
Consultants				
Allen Boone Humphries Robinson LLP	2000	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 129,993		
<i>Bond counsel</i>		391,506		
SI Environmental, LLC	2015	93,463		Operator
Municipal Accounts	2017	42,498		Bookkeeper
Fort Bend Central Appraisal District	Legislation	60		Property Valuation
Costello, Inc.	2017	63,356		Engineer
McGrath & Co., PLLC	2015	28,750		Auditor
Robert W. Baird & Co.	2015	311,162		Financial Advisor

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

See accompanying auditors' report.

**SIENNA PLANTATION MUNICIPAL
UTILITY DISTRICT NO. 6**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

April 30, 2020

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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. 6
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and General Fund of Sienna Plantation Municipal Utility District No. 6, as of and for the year ended April 30, 2020, 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. 6
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 General Fund of Sienna Plantation Municipal Utility District No. 6, as of April 30, 2020, 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.

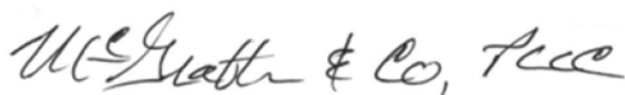
Other Matters

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.



Houston, Texas
August 18, 2020

Management's Discussion and Analysis

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***Sienna Plantation Municipal Utility District No. 6
Management's Discussion and Analysis
April 30, 2020***

Using this Annual Report

Within this section of the financial report of Sienna Plantation Municipal Utility District No. 6 (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 April 30, 2020. 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. 6
Management's Discussion and Analysis
April 30, 2020***

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 April 30, 2020, was negative \$1,751,959. The District's net position is negative because the District incurs debt to construct public roads which it conveys to Fort Bend County and relies on advances from its developers to fund operating costs. A comparative summary of the District's overall financial position, as of April 30, 2020 and 2019, is as follows:

	2020	2019
Current and other assets	\$ 336,509	\$ 223,454
Capital assets	4,604,928	
Total assets	<u>4,941,437</u>	<u>223,454</u>
Current liabilities	65,758	36,621
Long-term liabilities	6,627,638	295,866
Total liabilities	<u>6,693,396</u>	<u>332,487</u>
Net position		
Net investment in capital assets	(103,836)	
Unrestricted	<u>(1,648,123)</u>	<u>(109,033)</u>
Total net position	<u>\$ (1,751,959)</u>	<u>\$ (109,033)</u>

***Sienna Plantation Municipal Utility District No. 6
Management's Discussion and Analysis
April 30, 2020***

The total net position of the District decreased during the current fiscal year by \$1,642,926. A comparative summary of the District's *Statement of Activities* for the current and prior fiscal year (unaudited) is as follows:

	2020	2019
Revenues		
Property taxes, penalties and interest	\$ 178,732	\$ 165,664
Water and sewer service	83,661	47,555
Other	215,152	96,965
Total revenues	<u>477,545</u>	<u>310,184</u>
Expenses		
Current service operations	275,570	102,004
Intergovernmental	158,057	70,036
Depreciation	103,836	
Total expenses	<u>537,463</u>	<u>172,040</u>
Change in net position before other item	(59,918)	138,144
Other item		
Transfers to other governments	<u>(1,583,008)</u>	
Change in net position	(1,642,926)	138,144
Net position, beginning of year	<u>(109,033)</u>	<u>(247,177)</u>
Net position, end of year	<u>\$ (1,751,959)</u>	<u>\$ (109,033)</u>

Financial Analysis of the District's General Fund

The District's fund balance in the General Fund, as of April 30, 2020, was \$270,751. A comparative summary of the General Fund's financial position as of April 30, 2020 and 2019 is as follows:

	2020	2019
Total assets	<u>\$ 336,509</u>	<u>\$ 223,454</u>
Total liabilities	\$ 65,758	\$ 36,621
Total fund balance	<u>270,751</u>	<u>186,833</u>
Total liabilities and fund balance	<u>\$ 336,509</u>	<u>\$ 223,454</u>

***Sienna Plantation Municipal Utility District No. 6
Management's Discussion and Analysis
April 30, 2020***

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

	2020	2019
Total revenues	\$ 477,545	\$ 310,183
Total expenditures	(433,627)	(172,040)
Revenues over expenditures	43,918	138,143
Other changes in fund balance	40,000	100,000
Net change in fund balance	<u>\$ 83,918</u>	<u>\$ 238,143</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of water, sewer and fire protection services to customers within the District, tap connection fees charged to homebuilders in the District and developer advances. 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 the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- 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.
- Developers in the District advance funds to the District as needed to pay operating costs.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$83,918 greater than budgeted. The *Budgetary Comparison Schedule* on page 32 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.

***Sienna Plantation Municipal Utility District No. 6
Management's Discussion and Analysis
April 30, 2020***

Capital assets held by the District at April 30, 2020, are summarized as follows:

Capital assets not being depreciated	
Land and improvements	<u>\$ 36,120</u>
Capital assets being depreciated	
Infrastructure	4,672,644
Less accumulated depreciation	<u>(103,836)</u>
Depreciable capital assets, net	<u>4,568,808</u>
Capital assets, net	<u><u>\$ 4,604,928</u></u>

Capital asset additions during the current year include the following:

- Sienna Plantation, Section 40A – utilities, clearing and grubbing
- Sienna Plantation, Section 33A – utilities
- Heritage Park Drive from existing to Section 30 – utilities

Additionally, Fort Bend County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developers are reimbursed. For the year ended April 30, 2020, capital assets in the amount of \$1,583,008 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 8.

Long-Term Debt and Related Liabilities

As of April 30, 2020, the District owes \$6,627,638 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 5, the District has an additional commitment in the amount of \$10,868,939 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 developers are trued up when the developers are reimbursed.

At April 30, 2020, the District had \$347,000,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems and the refunding of such bonds; \$78,800,000 for parks and recreational facilities and the refunding of such bonds; and \$199,500,000 for road improvements and the refunding of such bonds.

***Sienna Plantation Municipal Utility District No. 6
Management's Discussion and Analysis
April 30, 2020***

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>2020 Actual</u>	<u>2021 Budget</u>
Total revenues	\$ 477,545	\$ 840,464
Total expenditures	<u>(433,627)</u>	<u>(737,057)</u>
Revenues over expenditures	43,918	103,407
Other changes in fund balance	<u>40,000</u>	<u> </u>
Net change in fund balance	83,918	103,407
Beginning fund balance	<u>186,833</u>	<u>270,751</u>
Ending fund balance	<u>\$ 270,751</u>	<u>\$ 374,158</u>

Property Taxes

The District's property tax base increased approximately \$16,371,233 for the 2020 tax year from \$16,990,760 to \$33,361,993. This increase was primarily due to new construction in the District.

Infectious Disease Outlook (COVID-19)

As further discussed in Note 14, the World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory virus currently affecting many parts of the world, including the United States and Texas. The pandemic has negatively affected the economic growth and financial markets worldwide and within Texas. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak could have an adverse effect on the District's operations and financial condition by negatively affecting property taxes and ad valorem tax revenues within the District.

Basic Financial Statements

Sienna Plantation Municipal Utility District No. 6
Statement of Net Position and Governmental Fund Balance Sheet
April 30, 2020

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	\$ 296,472	\$ -	\$ 296,472
Customer service receivables	14,392		14,392
Prepaid items	750		750
Operating reserve	24,895		24,895
Capital assets not being depreciated		36,120	36,120
Capital assets, net		4,568,808	4,568,808
Total Assets	<u>\$ 336,509</u>	<u>4,604,928</u>	<u>4,941,437</u>
Liabilities			
Accounts payable	\$ 62,520		62,520
Other payables	2,438		2,438
Customer deposits	800		800
Due to developers		6,627,638	6,627,638
Total Liabilities	<u>65,758</u>	<u>6,627,638</u>	<u>6,693,396</u>
Fund Balance/Net Position			
Fund Balance			
Nonspendable	25,645	(25,645)	
Unassigned	245,106	(245,106)	
Total Fund Balance	<u>270,751</u>	<u>(270,751)</u>	
Total Liabilities and Fund Balance	<u>\$ 336,509</u>		
Net Position			
Net investment in capital assets		(103,836)	(103,836)
Unrestricted		(1,648,123)	(1,648,123)
Total Net Position		<u>\$ (1,751,959)</u>	<u>\$ (1,751,959)</u>

See notes to basic financial statements.

*Sienna Plantation Municipal Utility District No. 6
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance
For the Year Ended April 30, 2020*

	General Fund	Adjustments	Statement of Activities
Revenues			
Water service	\$ 49,941	\$ -	\$ 49,941
Sewer service	33,720		33,720
Property taxes	178,403		178,403
Penalties and interest	329		329
Surface water fees	47,679		47,679
Tap connection and inspection	112,287		112,287
Fire protection fees	52,460		52,460
Miscellaneous	2,300		2,300
Investment earnings	426		426
Total Revenues	<u>477,545</u>	<u> </u>	<u>477,545</u>
Expenditures/Expenses			
Current service operations			
Professional fees	63,128		63,128
Contracted services	111,232		111,232
Repairs and maintenance	26,156		26,156
Surface water	47,684		47,684
Administrative	19,646		19,646
Other	7,724		7,724
Intergovernmental			
Master District connection charges	41,840		41,840
Facilities renewal and replacement	3,153		3,153
Fire protection services	52,718		52,718
Contractual obligations	60,346		60,346
Depreciation		103,836	103,836
Total Expenditures/Expenses	<u>433,627</u>	<u>103,836</u>	<u>537,463</u>
Revenues Over/(Under) Expenditures/Expenses	43,918	(103,836)	(59,918)
Other Financing Sources			
Developer advances	40,000	(40,000)	
Other Item			
Transfers to other governments		(1,583,008)	(1,583,008)
Net Change in Fund Balance	83,918	(83,918)	
Change in Net Position		(1,642,926)	(1,642,926)
Fund Balance/Net Position			
Beginning of the year	186,833	(295,866)	(109,033)
End of the year	<u>\$ 270,751</u>	<u>\$ (2,022,710)</u>	<u>\$ (1,751,959)</u>

See notes to basic financial statements.

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Sienna Plantation Municipal Utility District No. 6
Notes to Basic Financial Statements
April 30, 2020

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Sienna Plantation Municipal Utility District No. 6 (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 March 10, 1997, under the terms and conditions of Article III, Section 52 and Article XIV, Section 59 of the Texas Constitution and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on October 31, 2000.

On February 18, 2020, the District adopted a resolution authorizing the change of the District's name to Sienna Municipal Utility District No. 6. The District submitted the resolution to TCEQ for approval on February 18, 2020. The request has not been approved as of August 18, 2020.

The District’s primary activities include construction, maintenance and operation of water, sewer, drainage, parks and recreational facilities and road improvements. 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. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Sienna Plantation Municipal Utility District No. 6
Notes to Basic Financial Statements
April 30, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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. The District uses only a General Fund to account for the operations. The District's principal financial sources are property taxes, water and sewer service fees, tap connection fees and developer advances. Expenditures include costs associated with the daily operations of the District.

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 deposits 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.

Prepaid Items

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

Note 1 – Summary of Significant Accounting Policies (continued)

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 April 30, 2020, an allowance for uncollectible accounts was not considered necessary.

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, are depreciated using the straight-line method over an estimated useful life of 45 years.

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.

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.

Sienna Plantation Municipal Utility District No. 6
Notes to Basic Financial Statements
April 30, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items and operating reserves paid to Sienna Plantation Municipal Utility District No. 5 for the joint water and sewer facilities.

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 does not have any restricted fund balances.

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developers; the value of capital assets transferred to Fort Bend County 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. 6
Notes to Basic Financial Statements
April 30, 2020

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	\$	270,751
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$	4,708,764
Less accumulated depreciation		<u>(103,836)</u>
Change due to capital assets		4,604,928

Amounts due to the District's developers for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		(6,627,638)
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Total net position - governmental activities	\$	<u>(1,751,959)</u>
----------------------------------------------	----	--------------------

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	\$	83,918
--------------------------------------------------------	----	--------

In the <i>Statement of Activities</i> , the cost of capital assets is charged to depreciation expense over the estimated useful life of the asset.		(103,836)
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Amounts received from the District's developers for operating advances provide financial resources at the fund level, but are recorded as a liability in the <i>Statement of Net Position</i> .		(40,000)
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The District conveys certain roads to Fort Bend County upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the <i>Statement of Activities</i> , these amounts are reported as transfers to other governments.		(1,583,008)
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Change in net position of governmental activities	\$	<u>(1,642,926)</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. 6
Notes to Basic Financial Statements
April 30, 2020

Note 4 – Capital Assets

As of April 30, 2020, the District’s capital assets consisted of the following:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ -	\$ 36,120	\$ 36,120
Capital assets being depreciated			
Infrastructure		4,672,644	4,672,644
Less accumulated depreciation		(103,836)	(103,836)
Subtotal depreciable capital assets, net		4,568,808	4,568,808
Capital assets, net	\$ -	\$ 4,604,928	\$ 4,604,928

Depreciation expense for the current year was \$103,836.

Note 5 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, parks and recreational facilities, and road improvements. 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 developers are reimbursed.

The District’s developers have also advanced funds to the District for operating expenses.

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

Due to developers, beginning of year	\$ 295,866
Developer funded construction and adjustments	6,331,772
Due to developers, end of year	<u>\$ 6,627,638</u>

Sienna Plantation Municipal Utility District No. 6
Notes to Basic Financial Statements
April 30, 2020

Note 5 – Due to Developers (continued)

In addition, the District will owe the developers approximately \$10,868,939, 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
Sienna Plantation:			
Section 28 - utilities	\$ 562,965	\$ -	\$ 562,965
Section 31 - utilities	1,402,899	1,191,795	211,104
Section 31 - paving	995,658	423,951	571,707
Section 34A - utilities	690,714		690,714
Section 35A - utilities	1,419,729	721,152	698,577
Section 40B and 41 - utilities	793,810		793,810
Section 27 - utilities	1,012,857	834,431	178,426
Section 27 - paving	928,204		928,204
Heritage Park Drive from existing to Section 30 - paving	647,631	582,867	64,764
Heritage Park Drive bridge over channel 3 - utilities and paving	2,414,472		2,414,472
	<u>\$ 10,868,939</u>	<u>\$ 3,754,196</u>	<u>\$ 7,114,743</u>

Note 6 – Long-Term Debt

At April 30, 2020, the District had \$347,000,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems and the refunding of such bonds; \$78,800,000 for parks and recreational facilities and the refunding of such bonds; and \$199,500,000 for road improvements and the refunding of such bonds.

Note 7 – Property Taxes

On March 1, 2010, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value and a road maintenance tax limited to \$0.25 per \$100 of assessed value. The District has not levied a road maintenance tax.

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. 6
Notes to Basic Financial Statements
April 30, 2020

Note 7 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District's 2020 fiscal year was financed through the 2019 tax levy, pursuant to which the District levied property taxes of \$1.05 per \$100 of assessed value, of which \$0.68 was allocated to maintenance and operations and \$0.37 was allocated to contract taxes. The resulting tax levy was \$178,403 on the adjusted taxable value of \$16,990,760.

Note 8 – Transfers to Other Governments

Fort Bend County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Fort Bend County, not the District. The estimated cost of each road project is recorded as a transfer to other government upon completion of construction. This cost is trued-up when the developers are subsequently reimbursed. For the year ended April 30, 2020, the District recorded transfers to other governments in the amount of \$1,583,008 for road facilities constructed by the developers within the District.

Note 9 – Contracts with Sienna Plantation Municipal District No. 1

Sienna Plantation Municipal Utility District No. 5 (“the Master District”), as a participant, and other participants, including the District, entered into a contract for financing, operation and maintenance of regional water, sanitary sewer and storm sewer facilities with Sienna Plantation Municipal Utility District No. 1 (MUD 1) in 2006 (the “MUD 1 Regional Contract”). The MUD 1 Regional Contract includes other participating districts that are not part of the Master District service area. Pursuant to this contract, MUD 1 has the authority to construct, acquire and finance regional water, wastewater and park facilities. The participants in the MUD 1 Regional Contract pay a connection charge to MUD 1 based on its pro rata share of the regional facilities in order to obtain water and wastewater service. The participants in the MUD 1 Regional Contract also pay monthly operation charges to MUD 1 for their pro rata share of operation and maintenance expenses. MUD 1 has limited authority to issue contract revenue bonds: MUD 1 may only issue contract revenue bonds for acquisition, construction or improvement of (1) surface water facilities (2) a regional facility to comply with any regulatory requirement; (3) payment of extraordinary expenses of repairing or maintaining the regional facilities; or (4) a permanent wastewater treatment plant.

In 2009, the Master District (on behalf of the participants) entered into a Utility Contract with MUD 1 with for the purposes of amending and supplementing the MUD 1 Regional Contract. Pursuant to the terms of the Utility Contract, the parties agreed that the Master District will construct and finance the regional water, sewer and drainage facilities that serve the service area. Once constructed, the Master District will convey the regional water, sewer and drainage facilities (other than interim wastewater treatment facilities) to MUD 1 for ownership, operation and maintenance. Upon conveyance, the Master District is not obligated to pay connection charges in order to receive water and sewer service from MUD 1. The Master District will pay monthly operations charges to MUD 1 on behalf of the participants for their pro-rata share of operation and maintenance expenses and will charge the participating districts for their pro-rata share of the monthly operating and maintenance expenses.

Sienna Plantation Municipal Utility District No. 6
Notes to Basic Financial Statements
April 30, 2020

Note 9 – Contracts with Sienna Plantation Municipal District No. 1 (continued)

The Master District currently has purchased capacity in a water plant owned by MUD 1, but owns and operates an interim wastewater treatment plant. It is anticipated that the Master District will eventually participate in the construction of a permanent wastewater treatment plant owned and operated by MUD 1 and will eventually receive surface water from the City of Missouri City.

MUD 1 Debt

MUD 1 is authorized to issue bonds for the purpose of acquiring and constructing facilities needed to provide services to Sienna Plantation. The Master District shall be obligated to contribute to the payment of MUD 1’s debt service requirements based on its allocated share of the debt until such time as the bonds have been repaid. The Master District shall charge each participating district its pro-rata share based on assessed values in each district.

On May 29, 2018, MUD 1 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. The Master District’s pro-rata share of total costs of the regional facilities is \$12,695,000 which was funded by the Master District’s allocated share of bond proceeds of \$12,695,000.

As of April 30, 2020, MUD 1 has \$24,740,000 in contract revenue bonds outstanding and the Master District’s share of said bonds is \$12,695,000. MUD 1 bills the Master District in January of each year for MUD 1’s debt service payments for that calendar year. During the current fiscal year, the Master District paid \$287,691 to MUD 1 for MUD 1’s 2020 debt service requirements. The Master District’s future annual obligation to MUD 1 for MUD 1’s debt service requirements (principle and interest) for each of the next five years and in five year increments thereafter is as follows:

<u>Year</u>	<u>Total</u>
2021	\$ 287,691
2022	287,691
2023	287,691
2024	677,691
2025	681,295
2026-2030	3,394,815
2031-2035	3,394,137
2036-2040	3,393,791
2041-2045	3,394,343
2046-2048	2,037,230
	<u>\$ 17,836,375</u>

Sienna Plantation Municipal Utility District No. 6
Notes to Basic Financial Statements
April 30, 2020

Note 9 – Contracts with Sienna Plantation Municipal District No. 1 (continued)

Wastewater Treatment Services Contract

The District currently receives wastewater treatment services from an interim wastewater treatment plant operated by the Master District. Regional wastewater treatment services will ultimately be provided to each district within Sienna Plantation by MUD 1 pursuant to the First Amendment and Restated Wastewater Treatment Services Contract (the “Wastewater Agreement”) between MUD 1 and the City of Missouri City (the “City”). Pursuant to the Wastewater Agreement, a permanent wastewater treatment plant is required. MUD 1 is responsible for the ultimate design and construction of the permanent wastewater treatment plant, with the costs of such facility allocated among the participating districts on a pro-rata basis. MUD 1 agrees to obtain City approval prior to the design and construction of the permanent wastewater treatment plant and to ensure proper compliance with the City’s regionalization scheme.

Joint Construction Agreement for Fire Facilities

MUD 1 and the City entered into a fire protection agreement which establishes the terms and conditions for the construction of a new fire station and the acquisition of a new fire truck to serve Sienna Plantation. The cost of the fire station and the fire truck is to be paid by the internal Sienna Plantation Districts that will be served by the fire station on a pro-rata basis. Sienna Plantation Municipal Utility District Nos. 1, 2 and 3 have contributed their pro-rata shares of the costs to MUD 1. The District and Sienna Plantation Municipal Utility District Nos. 4, 5 and 7 (Sienna South Districts) have received a loan from Sienna Plantation Municipal Utility District No. 3 (MUD 3) to fund their pro-rata share. MUD 3 agreed to advance \$2,076,000 to MUD 1 to ensure the construction of the fire station and the acquisition of a fire truck.

MUD 1 and the Master District entered into an agreement whereby the Master District will reimburse MUD 1 on behalf of all the Sienna South Districts for the loan from MUD 3. The Master District will pay interest of 6% annually to MUD 1 and will fully reimburse MUD 1 upon the occurrence of a triggering event, as defined by the agreement, or by October 1, 2020, whichever comes first.

Fire Protection Services

On June 25, 2015, MUD 1 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, MUD 1 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, whereby the District agreed to be bound by the terms and conditions of the Operations Agreement and to pay MUD 1 for its pro-rata share of operating costs and capital costs. As of April 30, 2020, the monthly charge is \$21.50 per connection.

Sienna Plantation Municipal Utility District No. 6
Notes to Basic Financial Statements
April 30, 2020

Note 10 – Master District Contract with Sienna Plantation Municipal Utility District No. 5

On May 13, 2013 the District, along with Sienna Plantation Municipal Utility District No. 4, Sienna Plantation Municipal Utility District No. 7, and Sienna Plantation Municipal Utility District No. 5, (as a participant) entered into a contract (the “Contract”) with the Master District whereby the Master District agrees to provide or cause to be provided regional water, wastewater, drainage, roads, firefighting and park facilities to land within the participants’ boundaries (or Service Area). Pursuant to the Utility Contract with MUD 1, the water, wastewater and drainage facilities will be conveyed to MUD 1 for MUD 1 to own, operate and maintain such facilities to serve the Service Area. The Master District agrees to provide or cause to be provided road facilities to be conveyed to Fort Bend County to own, operate and maintain such roads.

Master District Debt

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional facilities needed to provide services to all Participants. The District shall contribute to the regional payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all Participants. As of April 30, 2020, the Master District has \$21,755,000 in contract revenue bonds outstanding.

The Master District also has the option to finance the road and park facilities through connection charges which will be determined based on the number of estimated total connections to be constructed within the service area. As of April 30, 2020, the District has not paid any such connection charges.

Operating and Maintenance Reserve

The Master District Contract authorizes the establishment of an operating and maintenance reserve by the Master District equivalent to three months’ operating and maintenance expenses, as set forth in the Master District’s annual budget. The Master District shall adjust the reserve as needed, not less than annually. As of April 30, 2020, the District has paid \$24,895 to the Master District for its share of the operating and maintenance reserve.

Monthly Connection Fees for Operating Expenses

The Master District charges each participating district a monthly fee based on the unit cost per connection multiplied by the number of equivalent single-family connections reserved to the District. The monthly fee will also include those monthly operations from MUD 1, pursuant to the Utility Contract.

Sienna Plantation Municipal Utility District No. 6
Notes to Basic Financial Statements
April 30, 2020

Note 10 – Contract with Sienna Plantation Municipal Utility District No. 5 (continued)

Summary of Charges

For the fiscal year ended April 30, 2020, the District incurred the following costs pursuant to contracts with the Master District and MUD 1:

- Monthly connection fees in the amount of \$41,840;
- Monthly charges in the amount of \$3,153 for MUD 1’s renewal and replacement fund, which was established by MUD 1 to provide funding to repair and replace aging MUD 1 facilities;
- Monthly charges for fire protection services in the amount of \$52,718; and
- Contractual obligations for debt service requirements in the amount of \$60,346, which consists of \$50,276 for Master District bonds and \$10,070 for the Master District’s share of MUD 1’s contract revenue bonds.

Note 11 – Agreements with City of Missouri City

The developer in Sienna Plantation South (land included in MUDs 4, 5, 6 & 7) has entered into the Sienna Plantation Joint Development Agreement with the City dated February 19, 1996, as amended by the eighth amendment dated July 15, 2013 (collectively, the “Development Agreement”) which stipulates the City’s regulatory authority over the development of Sienna Plantation South, establishes certain restrictions and commitments related to the development of Sienna Plantation South, sets forth detailed design and construction standards, stipulates a formula for determining the time of annexation of land within Sienna Plantation South by the City and identifies and establishes a master plan for the development of Sienna Plantation South. The development of all land within Sienna Plantation South is governed by the provisions of the Development Agreement.

The District has also entered into an amended and restated Strategic Partnership Agreement with the City dated July 15, 2013, which stipulates the City’s regulatory authority over the District; stipulates a formula for determining the time of annexation of land within the District by the City and identifies and establishes a master plan for the development of the District.

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

Under existing Texas law, since the Master District and each of the Participants lie wholly within the extraterritorial jurisdiction of the City of Missouri City, each Participant must conform to a City of Missouri City consent ordinance. The Participants and the City have entered into Strategic Partnership Agreements that govern the terms of annexation. The Master District may not be annexed until Participants are annexed. In addition, without an agreement in place, no Participant may be annexed by the City of Missouri City without consent; however, under Texas Law, the City of Missouri City cannot annex territory within a district unless it annexes the entire district.

Sienna Plantation Municipal Utility District No. 6
Notes to Basic Financial Statements
April 30, 2020

Note 11 – Agreements with City of Missouri City (continued)

If a Participant is annexed, the City of Missouri City will assume the Participant's assets and obligations (including the Participant's obligation under the Master District Contract) and dissolve the Participant within ninety (90) days.

In the Strategic Partnership Agreements, the City and Participants agreed that a component of the Participants' tax rate is for the Contract Tax Payments pursuant to the Master District Contract; and the other component of the Participants' tax rate is to administer, operate, and maintain the internal District facilities "Internal Facilities Tax". To the extent permitted by law, the Participants agree that for so long as they have debt outstanding, the Internal Facilities Tax will never be less than the City's ad valorem tax rate, unless specifically, consented to by the City.

Note 12 – 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 13 – Economic Dependency

The District is dependent upon its developers for operating advances. The developers continue to own a substantial portion of the taxable property within the District. The developers' willingness to make future operating advances and/or to pay property taxes will directly affect the District's ability to meet its future obligations.

Note 14 – 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. 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. On March 31, 2020, the Governor issued an executive order closing all non-essential businesses in the State. This order expired on April 30, 2020. Additionally, all the counties in the greater Houston area adopted various "Work Safe – Stay Home" orders. Such actions are focused on limiting instances where the public can congregate or interact with each other. These precautions resulted in the temporary closure of all non-essential businesses in the State.

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 the economic growth and financial markets worldwide and within Texas. These negative impacts may reduce or negatively affect property taxes and ad valorem tax revenues within the District.

Sienna Plantation Municipal Utility District No. 6
Notes to Basic Financial Statements
April 30, 2020

Note 14 – Infectious Disease Outlook (COVID-19) (continued)

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of Pandemic could have an adverse effect on the District's operations and financial condition.

Note 15 – Subsequent Event

On August 18, 2020, the District approved a preliminary official statement and notice of sale for its Series 2020 Unlimited Tax Road Bonds in the amount of \$2,490,000. The acceptance of bids and award of sale is scheduled for September 15, 2020. Proceeds of the bonds will primarily be used to reimburse developers for amounts currently reported in "Due to developers."

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Required Supplementary Information

*Sienna Plantation Municipal Utility District No. 6
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended April 30, 2020*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 40,327	\$ 49,941	\$ 9,614
Sewer service	57,384	33,720	(23,664)
Property taxes	116,522	178,403	61,881
Penalties and interest		329	329
Tap connection and inspection	55,280	112,287	57,007
Fire protection fees	51,858	52,460	602
Surface water fees	42,034	47,679	5,645
Miscellaneous	150	2,300	2,150
Investment earnings	93	426	333
Total Revenues	363,648	477,545	113,897
Expenditures			
Current service operations			
Professional fees	66,000	63,128	2,872
Contracted services	103,300	111,232	(7,932)
Repairs and maintenance	18,500	26,156	(7,656)
Surface water	42,034	47,684	(5,650)
Administrative	14,007	19,646	(5,639)
Other	5,300	7,724	(2,424)
Intergovernmental			
Master District connection charges	74,545	41,840	32,705
Facilities renewal and replacement	2,726	3,153	(427)
Fire protection services	51,858	52,718	(860)
Contractual obligations		60,346	(60,346)
Total Expenditures	378,270	433,627	(55,357)
Revenues Over/(Under) Expenditures	(14,622)	43,918	58,540
Other Financing Sources			
Developer advances	14,622	40,000	25,378
Net Change in Fund Balance		83,918	83,918
Fund Balance			
Beginning of the year	186,833	186,833	
End of the year	\$ 186,833	\$ 270,751	\$ 83,918

Sienna Plantation Municipal Utility District No. 6
Notes to Required Supplementary Information
April 30, 2020

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Sienna Plantation Municipal Utility District No. 6
TSI-1. Services and Rates
April 30, 2020

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

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

2. Retail Service Providers

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

a. Retail Rates for a 1" 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:	\$ 45.94	- 0 -	Y		to
Surface water:	\$ 2.42	1,000	N	\$ 2.42	0 to no limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 69.05 Wastewater \$ 45.94

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"	9	9	x 1.0	9
1"	43	43	x 2.5	108
1.5"			x 5.0	
2"	10	10	x 8.0	80
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"	2	2	x 80.0	160
10"			x 115.0	
Total Water	64	64		357
Total Wastewater	53	53	x 1.0	53

See accompanying auditor's report.

Sienna Plantation Municipal Utility District No. 6
TSI-1. Services and Rates
April 30, 2020

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

Gallons purchased from Sienna Plantation MUD 1:	<u>19,869,800</u>	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>19,869,800</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. 6
TSI-2 General Fund Expenditures
For the Year Ended April 30, 2020*

Professional fees		
Legal	\$	53,951
Engineering		9,177
		<u>63,128</u>
Contracted services		
Bookkeeping		15,900
Operator		3,859
Garbage collection		530
Tap connection and inspection		73,698
Appraisal district fees		7,644
Tax collection fees		9,601
		<u>111,232</u>
Repairs and maintenance		<u>26,156</u>
Surface water		<u>47,684</u>
Administrative		
Directors fees		6,621
Printing and office supplies		1,474
Insurance		3,042
Other		8,509
		<u>19,646</u>
Other		<u>7,724</u>
Intergovernmental		
Master District connection charges		41,840
Facilities renewal and replacement		3,153
Fire protection services		52,718
Contractual obligations		60,346
		<u>158,057</u>
Total expenditures	\$	<u>433,627</u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	N/A	N/A
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Sienna Plantation Municipal Utility District No. 6
TSI-4. Taxes Levied and Receivable
April 30, 2020

	Maintenance		
	Taxes	Contract Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 118,332	\$ 47,333	\$ 165,665
2019 Original Tax Levy	114,339	62,214	176,553
Adjustments	1,198	652	1,850
Adjusted Tax Levy	115,537	62,866	178,403
Total to be accounted for	233,869	110,199	344,068
Tax collections:			
Current year	115,537	62,866	178,403
Prior years	118,332	47,333	165,665
Total Collections	233,869	110,199	344,068
Taxes Receivable, End of Year	\$ -	\$ -	\$ -
		2019	2018
Property Valuations:			
Land		\$ 28,986,567	\$ 27,745,098
Improvements		57,305,505	36,054,987
Exemptions		(69,301,312)	(48,022,521)
Total Property Valuations		\$ 16,990,760	\$ 15,777,564
Tax Rates per \$100 Valuation:			
Maintenance tax rates		\$ 0.68	\$ 0.75
Contract tax rates		0.37	0.30
Total Tax Rates per \$100 Valuation		\$ 1.05	\$ 1.05
Adjusted Tax Levy:		\$ 178,403	\$ 165,664
Percentage of Taxes Collected to Taxes Levied **		100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on March 1, 2010

* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on March 1, 2010

** 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. 6
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2020	2019**	2018**	2017**	2016**
Revenues					
Water service	\$ 49,941	\$ 32,961	\$ 12,256	\$ -	\$ -
Sewer service	33,720	14,594	7,973		
Property taxes	178,403	165,664			
Penalties and interest	329				
Surface water fees	47,679	33,820	10,829		
Tap connection and inspection	112,287	17,135	3,550	72,540	
Fire protection fees	52,460	45,924	26,875		
Miscellaneous	2,300		120		
Investment earnings	426	85	58	5	6
Total Revenues	477,545	310,183	61,661	72,545	6
Expenditures					
Current service operations					
Professional fees	63,128	21,795	22,361		
Contracted services	111,232	28,602	88,248	750	1,500
Repairs and maintenance	26,156	1,920	11,484		
Surface water	47,684	34,495	10,829		
Administrative	19,646	11,509	8,921	4,239	6,038
Other	7,724	3,683	5,789		
Intergovernmental					
Master District connection charges	41,840	21,903	6,063		
Facilities renewal and replacement	3,153	2,209	743		
Fire protection services	52,718	45,924	26,832		
Contractual obligations	60,346				
Total Expenditures	433,627	172,040	181,270	4,989	7,538
Revenues Over/ (Under) Expenditures	\$ 43,918	\$ 138,143	\$ (119,609)	\$ 67,556	\$ (7,532)

*Percentage is negligible

** Unaudited

See accompanying auditors' report.

Percent of Fund Total Revenues

2020	2019**	2018**	2017**	2016**
10%	11%	20%		
7%	5%	13%		
38%	52%			
*				
10%	11%	18%		
24%	6%	6%	100%	
11%	15%	43%		
*		*		
*	*	*	*	100%
100%	100%	100%	100%	100%

13%	7%	36%		
23%	9%	143%	1%	25000%
5%	1%	19%		
10%	11%	18%		
4%	4%	14%	6%	100633%
2%	1%	9%		
9%	7%	10%		
1%	1%	1%		
11%	15%	44%		
13%				
57%	33%	239%	7%	125633%
43%	67%	(139%)	93%	(125533%)

Sienna Plantation Municipal Utility District No. 6
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended April 30, 2020

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): April 17, 2017
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
Board Members				
Jason Miller	10/17 - 10/21	\$ 1,200	\$ 210	President
Vacant				Vice President
Linda Noyd	05/18 - 05/22	900	104	Secretary
Brad Baird	05/18 - 05/22	2,100	1,789	Assistant Vice President
Ryan Pledger	05/18 - 05/22	1,500	1,083	Assistant Secretary
Rod Scarborough	05/16 - 03/20	450	9	Former Director
Consultants				
Allen Boone Humphries Robinson LLP <i>General legal fees</i>	2004	<u>Amounts Paid</u> \$ 59,342		Attorney
Si Environmental, LLC	2012	91,548		Operator
Municipal Accounts & Consulting, L.P.	2018	17,549		Bookkeeper
Tax Tech, Inc.	2014	9,600		Tax Collector
Fort Bend Central Appraisal District	Legislation	2,768		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2020			Delinquent Tax Attorney
LJA Engineering, Inc.	2000	7,057		Engineer
McGrath & Co., PLLC	2020			Auditor
Robert W. Baird & Co. Incorporated	2015			Financial Advisor

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

See accompanying auditors' report.



ANNUAL FINANCIAL REPORT

Of

District Name	Sienna Plantation Municipal Utility District No 7	
Mailing Address:	6500 River Place Blvd Bldg 4 Ste 104 Austin, TX 78730	
For the Fiscal year ended:	04/30/2020	
Preparer:	Taylor Kolmodin	
Title:	Bookkeeper	Date: 05/17/2020
Telephone Number: (AC)	512-782-2400	

AUDIT REPORT EXEMPTION

Texas Water Code Section 49.198 (effective September 1, 2011)

- (a) A district may elect to file annual financial reports with the executive director in lieu of the district's compliance with Section 49.191 provided:
 - (1) the district had no bonds or other long-term (more than one year) liabilities outstanding during the fiscal period;
 - (2) the district did not have gross receipts from operations, loans, taxes, or contributions in excess of \$250,000 during the fiscal period; and
 - (3) the district's cash and temporary investments were not in excess of \$250,000 at any time during the fiscal period.
- (b) The annual financial report must be accompanied by an affidavit attesting to the accuracy and authenticity of the financial report signed by a duly authorized representative of the district.
- (c) The annual financial report and affidavit in a format prescribed by the executive director must be on file with the executive director within 45 days after the close of the district's fiscal year.
- (d) Districts governed by this section are subject to periodic audits by the executive director.

If the accompanying financial statements are compiled by a certified public accountant, see SSARS-1 and SSARS-7 for the applicable standards for reporting on compiled financial statements.

FILING AFFIDAVIT

To: Texas Commission on Environmental Quality

Under the penalties of perjury, I certify that I have inspected the attached balance sheet, statement of receipts and disbursements, including the accompanying schedules and statements, and to the best of my knowledge and belief, they are a true, correct, and complete representation of the financial condition of:

Sienna Plantation Municipal Utility District No 7 as of

(Name of District)

04/30/2020

I also certify that the above district has complied in full

(Date of Fiscal Year End)

with all filing of audits, affidavits, and financial reports requirements of Section 49.194 of the Texas Water Code by filing copies of this Annual Financial Report in the district's office, located at:

6500 River Place Blvd Bldg 4 Ste 104 Austin, TX 78730

(Address of District)

Taylor Kolmodin, Bookkeeper

(Typed Name and Title)

Jaylar Kol

(Signature of Affiant)

5/26/2020

(Date)

Subscribed and Sworn to before me by this 26 day of May 2020

[Signature]

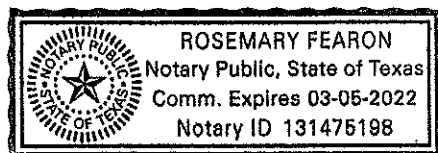
In and For TRAVIS County, Texas

Rosemary Fearon

(Typed Name of Notary)

03-05-2022

(My Commission Expires On)



District Name: Sienna Plantation MUD 7

MISCELLANEOUS DISCLOSURES AND MAILING INFORMATION

as of the District's Fiscal Year-End

A. Disclosures to comply with Rule 30 TAC 293.95(b)

- (1) Was there any developer activity to prepare for residential or commercial development? "Developer activity" means construction performed or actions taken in preparation for construction (i.e., plans, permits) to provide services for or access to present or future residential or commercial water, sewer or drainage facilities. Yes No

If yes, have payments for these facilities been made by (an) other party (ies) on behalf of the district? Yes No

These payments are estimated to cumulatively be:

Organization Costs	<u>\$217,578</u>
Construction Costs	<u>\$46,522</u>
Administration Cost	<u> </u>
Total Costs	<u>\$264,100</u>

- (2) Was the Board aware of any other types of contingent or actual liabilities (e.g., claims, lawsuits) which are not disclosed elsewhere in this report? Yes No

If yes, explain: _____

B. Disclosures to comply with V.T.C.A. Water Code §49.054(e) and §49.455(j). The Texas Commission on Environmental Quality must be notified of any changes in boundaries, board members, board terms, and addresses. Guidance for filing this information and a District Registration Form may be obtained by calling 512/239-4691.

C. Additional Information. This report should be sent to:

District Creation Review Team, MC-152
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, TX 78711-3087

Phone Number: (512) 239-4691 Facsimile Number: (512) 239-6190

BALANCE SHEET - CASH BASIS

ASSETS

Cash On Hand	_____	
Cash In Bank (Schedule A)	_____	26,227.22
Investments (Schedule B)	_____	0.00
TOTAL CASH AND INVESTMENTS (1)	_____	26,227.22
Accrued Interest Receivable - Optional (Schedule B)	_____	
Inventory	_____	
General Fixed Assets	_____	
Other Assets	_____	
	(Explain)	

	(Explain)	

	(Explain)	
TOTAL ASSETS (2)	_____	\$26,227.22

LIABILITIES AND EXCESS

Notes Payable	_____	
Refundable Deposits	_____	
Developer Advances	_____	
Other Liabilities	_____	

	(Explain)	

	(Explain)	
TOTAL LIABILITIES	_____	0.00
Excess Assets Over Liabilities	_____	26,227.22
TOTAL LIABILITIES AND EXCESS (3)	_____	\$26,227.22

Note to Preparer: "TOTAL CASH AND INVESTMENTS" (1) must equal "CASH AND INVESTMENTS - End of Year" on the Statement of Receipts and Disbursements, page 5. "TOTAL LIABILITIES AND EXCESS" (3) must equal "TOTAL ASSETS" (2).

SCHEDULE A - CASH IN BANK (1)

Name of Bank	Account Number	Purpose of Account	Balance
Compass Bank	2514457371	General Purpose	\$26,227.22
		TOTAL	<u>\$26,227.22</u>

SCHEDULE B - INVESTMENTS (2)

Type of Investment	Name of Bank	Certificate Number	Interest Rate	Maturity Date	Principal Balance	(Optional) Accrued Interest
						\$0.00
						0.00
						0.00
					TOTALS	<u>\$0.00</u> <u>\$0.00</u>

SCHEDULE C - SCHEDULE OF ALL OTHER DISBURSEMENTS (3)

Description of Disbursements (4)	Amount
Filing Fees	\$6.73
Printing & Office Supplies	83.25
Delivery Expense	46.88
Postage	37.69
Insurance & Surety Bond	2,992.00
Travel Expense	55.43
Miscellaneous Expense	1,775.79
Bank Service Charge	74.84
Payroll Administration & Tax	260.82
Master District Debt Payment	55,166.82
	TOTAL
	<u>\$60,500.25</u>

(1) Please refer to Explanation of Terms, Cash in Bank, page 7 of this report, for proper reporting.

(2) Please refer to Explanation of Terms, Investments, page 8 of this report, for proper reporting of "Principal Balance" and "Accrued Interest."

(3) Please refer to Explanation of Terms, All Other Disbursements, page 7 of this report, for proper reporting.

(4) A description should be given for each type of transaction and the amount of payments attributable to this type of disbursement. It may not be necessary to list each transaction separately.

STATEMENT OF RECEIPTS AND DISBURSEMENTS - CASH BASIS

RECEIPTS

Service Revenues		_____
Tax Receipts		_____
Penalty and Interest Received		_____
Interest Received on Investments		0.00
Loans or Advances		55,166.82
All Other Receipts	Miscellaneous Income	0.00
	(Explain)	
	Interest Earned on Checking	74.84
	(Explain)	
TOTAL RECEIPTS		<u><u>\$55,241.66</u></u>

LESS DISBURSEMENTS

Purchased Services for Resale		_____
Payroll		450.00
Legal, Accounting or Contract Service		15,924.19
Supplies and Materials		_____
Maintenance		_____
Note Payments and Repayment of Advances		0.00
All Other Disbursements (Schedule C)		60,500.25
TOTAL DISBURSEMENTS		<u><u>\$76,874.44</u></u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS		<u><u>(\$21,632.78)</u></u>
CASH AND INVESTMENTS - BEGINNING OF YEAR		47,860.00
CASH AND INVESTMENTS - END OF YEAR (See Note , page 4)		<u><u>\$26,227.22</u></u>

Note to Preparer: In addition to all disbursements related to the purchase of consumable supplies and materials, certain assets of insignificant value may be considered consumable and accordingly recognized under the account classification "Supplies and Materials". Please refer to EXPLANATION OF TERMS, General Fixed Assets, page 7 of this report, for additional clarification.

APPENDIX C
MASTER DISTRICT CONTRACT

CONTRACT FOR CONSTRUCTION,
FINANCING, OPERATION, AND MAINTENANCE OF SIENNA SOUTH
REGIONAL FACILITIES

CONTRACT FOR CONSTRUCTION,
FINANCING, OPERATION, AND MAINTENANCE OF SIENNA SOUTH
REGIONAL FACILITIES

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A - Service Area

CONTRACT FOR CONSTRUCTION,
FINANCING, OPERATION, AND MAINTENANCE OF SIENNA SOUTH REGIONAL
FACILITIES

THE STATE OF TEXAS §
 §
COUNTY OF FORT BEND §

This Contract (hereinafter called "this Contract") made and entered into as of the 13th day of May, 2013, by and between:

(1) SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 5 (hereinafter called the "Master District"), a conservation and reclamation district, a body politic and corporate and a governmental agency of the State of Texas, organized as a municipal utility district by Order of the Texas Commission on Environmental Quality and Article XVI, Section 59, and Article III, Section 52, Texas Constitution, and operating under the provisions of Chapters 49 and 54, Texas Water Code, as amended; and

(2) SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 5 (hereinafter called the "District"), a conservation and reclamation district, a body politic and corporate and a governmental agency of the State of Texas, organized as a municipal utility district by Order of the Texas Commission on Environmental Quality and Article XVI, Section 59, and Article III, Section 52, Texas Constitution, and operating under the provisions of Chapters 49 and 54, Texas Water Code, as amended.

WITNESSETH:

RECITALS

The Master District is one of several conservation and reclamation districts that have been or will hereafter be created and organized in the Brazos River Basin in the extraterritorial jurisdiction of Missouri City, Texas (the "City"), Texas to provide water, sewage, drainage, park, road, and other facilities and services. The Master District, as set forth herein, has assumed the responsibility of becoming the coordinating district to provide the water supply and distribution, sewage collection and treatment services, road utility services park services, fire protection services and other services and facilities permitted by law for the area, as described by metes and bounds on **Exhibit "A"** (the "Service Area"), in order to encourage regionalization and to avoid duplication of lines and facilities in the Service Area.

The Master District and the District have agreed to contract in such a manner that the Master District will be able to provide, as herein described, to all districts

within the Service Area the Master District Facilities, as defined herein, and service through such facilities, and other facilities and services as permitted by law. The Master District intends to serve the entire Service Area, and provide such services in such a manner as to promote the orderly development of the Service Area. The Master District intends to enter into contracts substantially identical to this Contract with all municipal utility districts located within the Service Area, and shall undertake to perform its obligations and exercise its rights under all such contracts in a manner which does not unfairly discriminate against the District.

The Board of Directors of the District has determined to contract with the Master District to provide, receive, and transport its water supply through the Master District's Water Supply System and Water Delivery System and to transport, treat or cause to be treated, and dispose of or cause to be disposed of all waste collected by the District's Sanitary Sewage Collection System. The Master District and the District are authorized to enter into this contract pursuant to Texas Water Code, as now or hereafter amended. The Master District and District are authorized to enter into this contract pursuant to Texas Water Code, Chapters 30, 49, and 54, as now or hereafter amended.

The Master District has completed or will complete all of the necessary preliminary engineering studies to determine the location of water plants and sewage treatment plants, and the location and size of trunk lines and mains to provide for the delivery of water, the transportation of wastes, and the collection of water, and has completed preliminary layouts for the Water Supply System, the Master District's Water Delivery System, the Master District's Sanitary Sewage Collection System, the Waste Disposal System, the Master District's Park Facilities, and the Master District's Road Facilities. These plans are available in the office of the Master District's engineer and constitute the Master District Facilities plans until such time as these plans are amended by the Master District. The Master District intends to enter into a Utility Services Agreement with Sienna Plantation Municipal Utility District No. 1 ("MUD No. 1) whereby MUD No. 1 will assume ownership and operation of the Master District Water Supply System, Water Delivery System, the Master District Sanitary Sewage Collection System, and the Master District Permanent Waste Disposal System. The Master District will also enter into a Maintenance Agreement with Sienna Plantation Levee Improvement District (the "LID") whereby the LID will own and maintain any regional stormwater facilities constructed by the Master District. The Master District will be a member of the City's Groundwater Reduction Program.

The Master District will own and operate the Interim Waste Disposal System. In addition, the parties intend for the Master District's Road Facilities to be conveyed to Fort Bend County for ownership and operation until such time as the Districts are annexed by the City.

AGREEMENT

For and in consideration of the mutual promises, covenants, obligations and benefits in this Contract, the Master District and the District contract and agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.1: Definitions. Unless the context requires otherwise, and in addition to the terms defined above, the following terms and phrases used in this Contract shall have the meanings set out below:

(A) The term "Authorized Investments" shall mean all investments which the District is authorized to make by the laws of the State of Texas currently existing and as may exist during the term of this Contract.

(B) The term "Capital Costs" shall include, with respect to any of the Master District Facilities, all costs attributable to acquisition or construction; the cost of constructing, acquiring, leasing, equipping, modernizing, improving, and upgrading; the cost of the acquisition of interests in real property and easements and permits; the cost of preparing plans, specifications, and inspecting construction; the cost of acquiring necessary permits; the fiscal, legal, advertising, engineering, and material testing costs; interest on sums advanced to or on behalf of the Master District by developers, Participants, or other persons to finance the foregoing; and all other costs and expenses relating to the foregoing.

(C) The term "Certified Appraised Value" means the appraised value subject to taxation as certified by the Fort Bend Central Appraisal District (or any successor as provided by law which provides such services) each year during the term of this Contract, plus an amount equal to the total values exempted from current year taxation by a Participant (1) by virtue of any optional exemption or special appraisal or valuation granted or adopted by a Participant, and (2) by virtue of a landowner claiming any optional exemption or special appraisal or valuation due to the use of the land for agricultural, open-space, timberland, or other similar uses, as such values are shown on the records of the Fort Bend Central Appraisal District, whether such optional exemption or special appraisal or valuation is provided by law now or in the future.

(D) The term "Commercial Connection" means any connection other than a Residential Connection.

(E) The term "Commercial Waste" means the liquid and water-carried waste discharged from commercial processes or any other non-domestic

processes (as distinct from domestic sewage from commercial establishments) and from industries identified in the Standard Industrial Classification Manual, Office of Management and Budget, 1987, as now and hereafter amended or supplemented, under any category other than "Division D -- Manufacturing," and such other waste as the Master District deems appropriate (other than domestic sewage).

(F) The term "Commission" means the Texas Commission on Environmental Quality, or any successor or successors exercising any of its duties and functions.

(G) The term "Connection" means a structure, unit, or tap which has water and/or sanitary sewer facilities connected to the District's Water System and/or the District's Sanitary Sewage System. One Connection is deemed to be the equivalent of a Single Family Residential Connection and uses 455 gallons per day of Potable Water and discharges 320 gallons per day of Sewage or as related by the TCEQ; or an Irrigation Connection as defined herein.

(H) The term "Debt Service Fund" means the fund so designated which the Master District is required to create pursuant to Sections 6.1 and 6.4 of this Contract.

(I) The term "Debt Service Requirements" means (a) the principal, interest, and redemption requirements (whether optional or mandatory) of the Master District Bonds issued in accordance with the provisions of Article III; (b) charges and expenses of paying agents, registrars, and trustees utilized in connection with such bonds; and (c) all amounts required to establish and maintain funds established under the resolution(s) or indenture(s) of trust authorizing the issuance of Master District Bonds.

(J) The term "District" is defined on page 1 hereof and shall include any other municipal corporation, public body or other public agency at any time succeeding to the property and principal rights, powers, and obligations of the District and, where appropriate, means the Board of Directors or governing body of the District or any successor municipal corporation, public body, or public agency.

(K) The term "District's Pro Rata Share" means the percentage determined by the following formula:

$$\frac{\text{District's Certified Appraised Value}}{\text{Cumulative total of the Certified Appraised Value of all Participants (including the District and Master District)}} = \text{District's Pro Rata Share}$$

(L) The term "District's Sanitary Sewage Collection System" means the sanitary sewage collection system constructed or acquired or to be constructed or acquired by or on behalf of the District, including the sanitary sewers (but excluding storm sewers), manholes, intercepting sewers, lift stations, pumping works, and all other plants, works and equipment within and without the District for the collection and transportation of Waste to the Master District's Sanitary Sewage Collection System, together with all extensions thereof and additions thereto.

(M) The term "District's Storm Sewer System" means all or any part of the drainage facilities comprising the storm sewer system constructed or acquired or to be constructed or acquired by or on behalf of the District, including all facilities within and without the District for the collection, detention, storage, and transportation of storm waters to the Master District's Storm Sewer System, together with all extensions thereof and additions thereto.

(N) The term "District's Park System" means the park and recreational facilities now owned or to be constructed or acquired by the District, including all equipment and related facilities inside and outside the District.

(O) The term "District's Water Delivery System" means all or any part of the equipment constructed or acquired or to be constructed or acquired by or on behalf of the District to receive water from the Master District's Water Delivery System, including water mains, trunks, pumping works, realty, and permit rights for the delivery of Potable Water to each Single Family Residential Connection or Commercial Connection. If, pursuant to Section 8.6, the Master District authorizes the District to construct Reuse Water Facilities, then the term also includes Reuse Water Facilities internal to the District that serve only development within the District.

(P) The term "General Fund" shall mean the fund so designated which the Master District is required to create pursuant to the provisions of Sections 6.1 and 6.3 of this Contract.

(Q) The term "Industrial Waste" means the liquid and water-carried waste from industries identified in the Standard Industrial Classification Manual, Office of Management and Budget, 1987, as now or hereafter amended or supplemented, under the category "Division D -- Manufacturing," and such other similar waste which may be harmful to the Waste Disposal System or cause excessive treatment costs or be deemed industrial waste by any Regulatory Requirements.

(R) The term "Infiltration Water" means water which leaks into a public sanitary sewer system.

(S) The term "Interim Waste Disposal Facilities" means the .6 mgd interim package plant(s) (or expanded if approved by the City) leased or purchased by the Master District located in the Service Area to serve the Districts.

(T) The term "Irrigation Connection" means a connection serving an assembly of component parts that is permanently installed for the controlled distribution and conservation of water to irrigate any type of landscape vegetation in any location, and/or to reduce dust or control erosion. This term does not include a system that is used on or by an agricultural operation as defined by Texas Agricultural Code section 251.002.

(U) The term "MUD No. 1 Facilities" means the Master District's Sanitary Sewage Collection System, Master District's Storm Sewer System, Master District's Water Delivery System, Water Supply System and Permanent Waste Disposal System hereafter conveyed by the Master District to MUD No. 1 pursuant to the Master District Utility Agreement. The term does not include (i) the Master District Interim Waste Disposal Facilities; or (ii) Reuse Water Facilities.

(V) The term "Maintenance Agreement" means the Maintenance Agreement between the Master District and the LID that provides for the ownership and operation by the LID of the Master District Storm Sewer System and any other facilities for stormwater detention.

(W) The term "Master District Bonds" means, collectively, the Master District Water, Sewer, and Drainage Bonds, the Master District Park Bonds, the Master District Fire Bonds and the Master District Road Bonds.

(X) The term "Master District Facilities" means the Master District's Sanitary Sewage Collection System, the Master District's Storm Sewer System, the Master District's Water Delivery System, the Water Supply System, the Waste Disposal System; the Master District's Park Facilities, the Master District's Road

Facilities, the Master District Fire Facilities, and such other facilities the Master District is permitted by law to provide, the plans for all of which may be amended from time to time by the Master District.

(Y) The term "Master District Fire Bonds" means bonds or other evidences of indebtedness authorized under the Constitution and laws of the State of Texas, particularly Section 59 of Article XVI, Constitution of Texas, issued by or on behalf of the Master District which, together with the interest thereon, are to be paid from payments to be made pursuant to this Contract and other similar contracts and which have been issued to acquire funds to design, acquire, construct, lease, equip, modernize, repair, improve or complete the Master District Fire Facilities or any enlargements, expansions, repairs or upgrades thereof or modifications thereto which are necessary to meet any future Regulatory Requirements of any agency having jurisdiction thereof; and bonds issued to refund or refinance any such bonds or other evidences of indebtedness issued by or on behalf of the Master District.

(Z) The term "Master District Fire Facilities" means the fire department substation facility and equipment to be constructed pursuant to the Development Agreement to serve the Sienna Central and Sienna South Service Areas and Chapter 49 the Water Code.

(AA) The term "Master District Park Bonds" means bonds or other evidences of indebtedness authorized under the Constitution and laws of the State of Texas, particularly Section 59 of Article XVI, Constitution of Texas, issued by or on behalf of the Master District which, together with the interest thereon, are to be paid from payments to be made pursuant to this Contract and other similar contracts and which have been issued to acquire funds to design, acquire, construct, lease, equip, modernize, repair, improve or complete the Master District's Park Facilities or any enlargements, expansions, repairs or upgrades thereof or modifications thereto which are necessary to meet any future Regulatory Requirements of any agency having jurisdiction thereof; and bonds issued to refund or refinance any such bonds or other evidences of indebtedness issued by or on behalf of the Master District.

(BB) The term "Master District's Park Facilities" means the park and recreational facilities constructed or acquired or to be constructed or acquired by or on behalf of the Master District (including, without limitation, parks, greenbelts, recreational equipment, benches, landscaping, amenity portions of detention ponds, amenity lakes, amenity ditches or creeks, fountains, ball fields, irrigation, fencing, groundwater wells used for lake filling purposes, trails, and related appurtenances and facilities, save and except internal facilities which serve only development within the Master District).

(CC) The term "Master District Road Bonds" means bonds or other evidences of indebtedness authorized under the Constitution and laws of the State of Texas, particularly Section 52 of Article III, Constitution of Texas, issued by or on behalf of the Master District which, together with the interest thereon, are to be paid from payments to be made pursuant to this Contract and other similar contracts and which have been issued to acquire funds to design, acquire, construct, lease, equip, modernize, repair, improve or complete the Master District's Road Facilities or any enlargements, expansions, repairs or upgrades thereof or modifications thereto which are necessary to meet any future Regulatory Requirements of any agency having jurisdiction thereof; and bonds issued to refund or refinance any such bonds or other evidences of indebtedness issued by or on behalf of the Master District.

(DD) The term "Master District's Road Facilities" means the macadamized, graveled, or paved roads, or improvements, including storm drainage, in aid of those roads, as permitted by Art. III, Section 52, Texas Constitution, that serve the Service Area constructed or acquired or to be constructed or acquired by or on behalf of the Master District.

(EE) The term "Master District's Sanitary Sewage Collection System" means the sanitary sewage collection system constructed or acquired or to be constructed or acquired by or on behalf of the Master District including the trunk or main sanitary sewers (but excluding storm sewers), manholes, intercepting sewers, lift stations, pumping works and all other plants, works, and equipment within and without the Master District for the collection and transportation of Waste of the Participants to the Waste Disposal System, together with all extensions, enlargements, and modifications thereof and additions thereto, save and except internal facilities which serve only development within the Master District. The Master District's Sanitary Sewage Collection System includes any appurtenances or facilities used in connection therewith, such as laboratories, water quality monitoring stations, and similar equipment and facilities.

(FF) The term "Master District's Storm Sewer System" means all or any part of the drainage facilities for the collection and conveyance of storm waters from the Participants under this Contract or similar contracts, constructed or acquired or to be constructed or acquired by or on behalf of the Master District, within or without the Master District, together with extensions thereof and additions thereto, save and except internal facilities which serve only development within the Master District.

(GG) The term "Master District's Water Delivery System" means all or any part of the equipment for the delivery of Potable Water to Participants under this Contract or similar contracts, constructed or acquired or to be constructed or acquired by or on behalf of the Master District, including water mains and

trunks, pumping works and storage facilities, together with extensions thereof and additions thereto, save and except internal facilities which serve only development within the Master District. The term also includes Reuse Water Facilities.

(HH) The term "Master District Water, Sewer, and Drainage Bonds" means bonds or other evidences of indebtedness authorized under the Constitution and laws of the State of Texas, particularly Section 59 of Article XVI, Constitution of Texas, issued by or on behalf of the Master District which, together with the interest thereon, are to be paid from payments to be made pursuant to this Contract and other similar contracts and which have been issued to acquire funds to design, acquire, construct, lease, equip, modernize, repair, improve or complete the Master District's Water, Sewer, and Drainage Facilities or any enlargements, expansions, repairs or upgrades thereof or modifications thereto which are necessary to meet any future Regulatory Requirements of any agency having jurisdiction thereof; and bonds issued to refund or refinance any such bonds or other evidences of indebtedness issued by or on behalf of the Master District.

(II) The term "Master District's Water, Sewer, and Drainage Facilities" means, collectively, the Master District's Sanitary Sewage Collection System, the Master District's Storm Sewer System, the Master District's Water Delivery System, the Water Supply System, and the Waste Disposal System.

(JJ) The term "Monthly Charges" means the rates, fees, charges, surcharges, tariffs, and related terms and conditions established by the Master District from time to time for Services pursuant to Article V of this Contract.

(KK) The term "Operation and Maintenance Expenses" means all costs and expenses (excluding depreciation) incurred in or allocable to the operation and maintenance of the Master District Facilities, including, without limitation, wages and salaries, chemicals, the purchase and carrying of stores, materials, and supplies, measuring meters, power, supervision, expenses of directors' meetings attributable to performing the duties of the Master District under this Contract, engineering, testing, audits of all Master District funds, waste disposal charges or assessments, claims, insurance for property damage and tortious or contractual liability, contractual payments to persons for water (including surface water), water treatment, or sewage treatment services (including, without limitation, contractual payments for principal, interest, and redemption price on bonds issued by other persons for the purpose of acquiring facilities to provide water (including surface water), water treatment, or sewage treatment services to the Master District, which bonds may be issued at any rate or rates of interest authorized by the issuer of said bonds, provided that the net effective interest rate on any issue or series of said bonds shall not exceed the maximum legal limit

in effect at the time of issuance of each such issue or series); or for the operation and maintenance of the Master District Facilities, and all other items and expenses of a like or different nature reasonably required or desirable for the efficient maintenance and operation of the Master District Facilities in full compliance with all Regulatory Requirements and the performance of the provisions of this Contract; repairs and replacements of damaged, worn-out or obsolete parts; improvements and betterments to maintain or to cause to be maintained the Master District Facilities in proper operation to render adequate service and to comply fully with all Regulatory Requirements; the legal liability of the Master District to pay money arising from an arbitration award or court decision creating a judgment against the Master District related to the construction, acquisition, operation, maintenance, and financing of the Master District Facilities pursuant to this Contract; and the general and administrative expenses of the Master District allocable to the Master District Facilities.

(LL) The term "Park Construction Charge" means the payment made by each Participant, including the District and the Master District, of its pro rata share of the Master District's then estimated Capital Costs of the Master District's Park Facilities. Calculation of the Park Connection Charge is provided for in Section 2A.3 of this Contract.

(MM) The term "Park Construction Fund" means the fund so designated which the Master District is required to create pursuant to the provisions of Sections 6.1 and 6.7 of this Contract.

(NN) The term "Participant" means any district which is included in the Service Area, including the District and the Master District itself, which is served by the Master District Facilities.

(OO) The term "Person" means any individual, public or private corporation, district, authority, political subdivision or other agency or entity of the State of Texas or the United States of America; the State of Texas; the United States of America; any incorporated MUD No. 1, town or village, whether operating under general law or under its home-rule charter; and any co-partnership, association, firm, trust, estate or any other entity whatsoever.

(PP) The term "Potable Water" shall mean water that meets federal and state standards for consumption by humans.

(QQ) The term "Projected Total Connections" means the total number of Commercial Connections and Residential Connections expected to be connected to the District's Water Supply System once all construction and development in the District is complete.

(RR) The term "Regulatory Requirements" means the requirements and provisions of any state or federal law, and any permits, rules, orders, or regulations issued or adopted from time to time by any state, federal, or other regulatory authority having jurisdiction concerning drinking water standards, water quality standards, Sewage, or the collection, treatment, and discharge of Waste, wastewater or effluent, or otherwise having jurisdiction over the Master District Facilities, including without limitation, jurisdiction obtained by virtue of the acceptance of grants by the Master District or others to finance Capital Costs of the Master District Facilities.

(SS) The term "Reserve" means an operation and maintenance reserve in the General Fund equivalent to three (3) months of Operation and Maintenance Expenses, which the Master District is required to establish and maintain pursuant to Section 5.1.

(TT) The term "Residential Connection" means a structure designed for single family residential use which has sanitary conveniences and which is connected to the District's Water Supply System and/or Sanitary Sewage Collection System.

(UU) The term "Reuse Water" means Waste that has been treated to a quality suitable for a beneficial use (for example, without limitation, for irrigation or filling of lakes).

(VV) The term "Reuse Water Facilities" means lines and facilities (including, without limitation, storage tanks, pumps, wetwells, and pressurization tanks) to store, pressurize, convey, and/or deliver Reuse Water. The term also includes any facilities (including, without limitation, filtration devices or equipment) used to treat any Reuse Water after the Reuse Water: (i) is removed from the Master District's Sanitary Sewer System, and/or (ii) leaves any waste disposal system.

(WW) The term "Road Construction Charge" means the payment made by each Participant, including the District and the Master District, of its Pro Rata Share of the Master District's then estimated Capital Costs of the Master District's Road Facilities. Calculation of the Road Construction Charge is provided for in Section 2A.3 of this Contract.

(XX) The term "Road Construction Fund" means the fund so designated which the Master District is required to create pursuant to the provisions of Sections 6.1 and 6.6 of this Contract.

(YY) The term "Service Area" means that territory or area depicted and outlined on **Exhibit "A"** hereto, unless modified pursuant to Section 11.17 hereof.

(ZZ) The term "Services" means any or all of the water supply and delivery, sanitary sewage collection and disposal, storm water drainage and detention services, road services, and park services furnished or made available by the Master District Facilities including supply, treatment, and transportation of Potable Water and Reuse Water, collection, transportation, treatment, and disposal of Waste, the collection, detention, transportation, and drainage of storm waters, the provision of park services, road services, and any other services permitted by law.

(AAA)The term "Sewage" means the liquid and water-carried waste discharged from sanitary conveniences of dwellings and buildings connected to a public sanitary sewer system.

(BBB) The term "Single Family Residential Connection" means a structure designed for residential use by a single family unit and which has sanitary facilities which are or will be connected to the District's Water Supply System and/or Sanitary Sewage Collection system.

(CCC) The term "Utility Agreement" means that certain contract between the Master District and MUD No. 1 that provides for the financing, construction and operation of the water and wastewater facilities, to serve the Participants.

(DDD) The term "Waste" means Sewage, Commercial Waste, and Industrial Waste collected by a public sanitary sewer system, together with such Infiltration Water as may be present.

(EEE) The term "Permanent Waste Disposal System" means all or any part of disposal system(s) or disposal facilities whether or not physically interconnected, now owned or to be constructed or acquired or provided by the Master District or MUD No. 1 for treating and disposing of Waste collected by the Sanitary Sewage Collection System(s) of the Master District, the District and/or any other Person, a diversion line or lines constructed to transport Waste, or facilities and any interest in real estate, and any permit rights acquired in connection with such disposal systems or facilities; together with such extensions, enlargements and modifications as may be required in the future or as may be necessary to comply with any present or future Regulatory Requirements; all or any part of any disposal system or systems (whether or not on such site or physically interconnected) from which Services are or will be furnished or made available to or by the Master District and/or to the District (or to the District and/or other customers), including any appurtenances or facilities

used in connection therewith, such as laboratories, water quality monitoring stations, and similar equipment and facilities; and further includes all or any part of any contract rights of the Master District under contracts between the Master District and other Persons for Services.

(FFF) The term "Waste Disposal System" means the Interim Waste Disposal Facilities and the Permanent Waste Disposal System.

(GGG) The term "Water, Sewer, and Drainage Construction Fund" means the fund so designated which the Master District is required to create pursuant to Sections 6.1 and 6.5 of the Contract.

(HHH) The term "Water Supply System" means all or any part of the water wells and equipment and surface water conveyance and treatment facilities for producing Potable Water which are constructed or acquired or are to be constructed or acquired by or on behalf of the Master District to provide Potable Water to the Participants, and further includes any appurtenances or facilities used in connection therewith, including reservoirs, water treatment facilities, contract rights, water rights, permit rights, interests in realty, and all storage facilities, including elevated storage tanks.

Section 1.2: Table of Contents, etc. The table of contents, titles and headings of the articles and sections of this Contract have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Contract or any provision hereof or in ascertaining intent, if any question of intent should arise. Unless the context otherwise requires, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

Section 1.3: Interpretations. This Contract and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of this Contract. The parties agree that this Contract shall not be construed in favor of or against either party on the basis that the party did or did not author the Contract. Nothing in this Contract shall be construed to violate any state or federal statutory provision or any provision of the state or federal Constitutions and all acts done pursuant to this Contract shall be performed in such manner as to conform thereto whether expressly provided or not.

ARTICLE II

MASTER DISTRICT FACILITIES TO SERVE DISTRICT

Section 2.1: General Statement. Subject to the provisions hereof, the Master District plans to acquire, construct, and extend the Master District's Facilities in stages to meet the needs of a continually expanding population within the District and other areas within the Service Area. The Master District plans to cause the Master District's Water, Sewer, and Drainage Facilities (except the Interim Waste Disposal Facilities) and the Master District's Park Facilities to be conveyed to MUD No. 1 for MUD No. 1 to own, operate and maintain such facilities to serve the Service Area. The Master District plans to cause the Master District's Road Facilities to be conveyed to Fort Bend County to own, operate and maintain such roads. The Master District intends to own and maintain the Master District Park Facilities until such time as the Districts are annexed by the City. Notwithstanding any provisions of this Agreement to the contrary, the Master District, in its sole discretion, may determine whether or when to design, construct, or acquire any of the Master District's Park Facilities or the Master District's Road Facilities and the method of financing therefor.

The Master District intends to finance the Capital Costs of the Master District Water, Sewer and Drainage Facilities, the Master District Fire Facilities, the Master District Park Facilities and Master District Road Facilities. The Master District also intends to pay the Capital Costs of the Master District's Park Facilities from Park Construction Charges financed by each Participant to the Master District.

Section 2.2: Utility Agreements. The Master District has or will enter into a Utility Agreement with MUD No. 1 whereby MUD No. 1 will own and operate the water and permanent wastewater facilities in the Service Area and provide water supply and permanent wastewater treatment to land in the Service Area. MUD No. 1 is not expected to own or operate the Master District's Park Facilities, the Master District's Road Facilities, the Interim Waste Disposal Facilities, or the Reuse Water Facilities. The provisions of this Contract that relate to the operation and maintenance of MUD No. 1 Facilities shall only be effective: (i) upon a default by MUD No. 1 of its obligation to operate the MUD No. 1 Facilities and the Master District's assumption of that obligation; (ii) if MUD No. 1 has not accepted for ownership, or otherwise does not own, any portion of the MUD No. 1 Facilities; and/or (iii) if the Utility Agreement is amended to provide that the MUD No. 1 Facilities will not be conveyed to MUD No. 1.

Section 2.3: Initiating Construction of Master District Facilities. The Master District shall initiate the construction of Master District Facilities to meet anticipated needs of the Participants. Whenever the District desires, from time to time to construct, extend, or expand the District's Sanitary Sewage Collection System, the District's Storm Sewer System, or the District's Water Delivery System in such a manner as will require the Master District to construct, extend, or expand the Master District Facilities, or when

proposed development within the District requires the construction, extension, or expansion of Master District Facilities, the District shall so inform the Master District in writing. Extension of Master District Road Facilities shall be in conformance with the City's Traffic Impact Analyses. Upon receipt of such request and subject to the availability of funds to provide sufficient capacity in the Master District Facilities, the Master District is obligated to construct, or cause to be constructed, the Master District Facilities necessary to meet the District's request within a reasonable period of time considering the type of Master District Facilities required. In any such instance when the Master District is unable to provide the requested facilities at the time needed by the District, the Master District shall make arrangements for interim facilities, provided funds are available. The District will provide the Master District with such information as may be reasonably required by the Master District to determine the facilities or services that are needed to meet the District's requests. Without limiting the generality of such information as the Master District may require, the District agrees to supply the Master District with information concerning:

(A) The existing number and types of connections to the District's Water Delivery System, the District's Storm Sewer System, and the District's Sanitary Sewage Collection System;

(B) The number, type, and location of connections expected to be added to the District's Water Delivery System and the District's Sanitary Sewage Collection System;

(C) The nature of land use in the area to be served by the District's Water Delivery System, the District's Storm Sewer System, and the District's Sanitary Sewage Collection System;

(D) The capacity in the Waste Disposal System which the District estimates will be necessary to meet the District's requirements, expressed in average daily flow in gallons per minute, peak daily flow in gallons per minute, and peak hourly flow of Waste in gallons per minute which the District will discharge into the Waste Disposal System;

(E) The quantity of water needed from the Water Supply System, expressed in average daily flow in gallons per minute and peak hourly flow in gallons per minute;

(F) Specific information regarding any commercial or industrial uses of water or discharges which the District anticipates;

(G) Copies of all recorded and preliminary subdivision plats not already furnished;

(H) The District's projection as to the rate and type of development within the District as a whole and in any areas outside the District to be served by the District; and

(I) Such other information as the Master District may reasonably request.

Section 2.4: Determination of Master District Facilities. After receiving the information provided in Section 2.3, above, and consulting with the District, the Master District shall promptly determine and advise the District as to what Master District Facilities will be required to meet the Master District's obligation to satisfy the requests of the District and the estimated costs of said Master District Facilities. With the prior written approval of the Master District, the District may undertake to design and construct certain Master District Facilities that shall be conveyed to the Master District, as set out in Section 2.12.

The District recognizes that the Master District Facilities are designed to serve all Participants within the Service Area. It is specifically understood and agreed that the Master District's determination of what Master District Facilities are required and the Master District's determination of the cost of construction of Master District Facilities will be based on sound engineering and economic practices with particular emphasis on the obligation of the Master District to proceed on a timely basis with the construction of Master District Facilities necessary to meet the needs of all Participants and to avoid duplication of facilities. The information required in Section 2.3, above, shall be submitted by the District to the Master District far enough in advance of the District's bond application and engineering reports to the Commission so that the Master District's determinations with regard to required Master District Facilities can be utilized in said bond application and engineering reports. The District shall notify the Master District in writing each time the District intends to submit a bond application and engineering report to the Commission or any other agency having jurisdiction. Upon request, the District will provide a copy of such application to the Master District. The Master District will bear all costs of making such copy.

Section 2.5: Preparation of Plans. If the Master District determines that it must incur Capital Costs to satisfy the request of the District, the Master District shall determine what Master District Facilities are required and shall promptly direct its engineers to prepare plans and specifications. However if the Permanent Waste Disposal System is required, the Master District shall proceed in accordance with Section 2.7 below.

Section 2.6: Construction of Master District Facilities. For all Master District Facilities other than the Permanent Waste Disposal System, if the Master District will be constructing Master District Facilities to meet the requests of Participants, the Master District shall, subject to the availability of sufficient funds to pay the estimated Capital

Costs of the Master District Facilities, follow all procedures with regard to contract advertisement, bidding, and award as the Master District is required by law to follow. If after receiving bids or proposals, the Master District is satisfied with the bids or proposals received, the Master District shall award a contract for the construction of the Master District Facilities and shall then proceed to construct such Master District Facilities promptly following the receipt of sufficient funds to pay the estimated Capital Costs of the Master District Facilities. If the Master District is not satisfied with the bids or proposals received, it shall promptly take other bids or proposals.

Section 2.7: Construction of Permanent Waste Disposal System. To achieve certain benefits and economies of regionalization, the parties agree that MUD No. 1 will design, construct, own, and operate the Permanent Waste Disposal System. The Master District will make the determination as to what facilities are necessary to satisfy its obligation to the District and for development within the Service Area in accordance with Sec. 2.4 above. Once the Master District makes such a determination, it will notify the MUD No. 1 engineer to begin design of the Permanent Waste Disposal System in accordance with the Utility Agreement. If MUD No. 1 cannot fulfill its obligation to construct the Permanent Waste Disposal System as part of the Utility Agreement, the Master District has the right to design, acquire, construct or expand the Permanent Waste Disposal System as needed to satisfy the Master District's obligations to the District as stated in this Agreement.

Section 2.8: Conveyance of MUD No. 1 Facilities. Upon transfer of the MUD No. 1 Facilities to MUD No. 1, MUD No. 1 shall be the owner of the MUD No. 1 Facilities, including all related appurtenances, sites, rights-of-way, easements, and all enlargements, extensions, or improvements thereto; and MUD No. 1 (and not the Master District) shall be responsible for operation and maintenance of same (unless MUD No. 1 defaults in its obligation to operate same and the Master District assumes such obligation).

Section 2.9: Access. The Master District shall allow the District's representatives to have access at all times to construction in progress of Master District Facilities to serve the District and to make such inspections thereof as may be deemed necessary or desirable. The District shall also have full access to all of the Master District's contracts, books and records relating to the construction of such Master District Facilities.

Section 2.10: Conditions to Construction of Master District Facilities. It is expressly agreed and understood that any obligation on the part of the Master District to purchase, construct, improve, or enlarge Master District Facilities for the District or to cause Master District Facilities to be acquired, constructed, improved, or enlarged for the District shall, in addition to any conditions specified elsewhere in this Contract, be subject to (a) the Master District's ability to obtain or cause to be obtained all permits and licenses required to construct and operate the Master District Facilities; (b) the availability of sufficient funds to advertise, bid, award, and contract as the Master

District is required by law to follow; and (c) a determination by the Master District that the facilities at issue are regional in nature and are accordingly properly considered Master District Facilities.

Section 2.11: Regulatory Permits. If any Master District Facilities constructed under Article II require the acquisition of, or an amendment to, any permit or order issued by any regulatory agency, the Master District shall (subject to any necessary approvals or consents from the MUD No. 1) immediately make and pursue, or cause to be made and pursued, such applications and take such lawful actions as may be necessary to obtain such amendments or new permits. The District agrees to cooperate with the Master District in any way reasonably necessary in applying for, pursuing, and obtaining such amendments or new permits.

Section 2.12: Ownership of Master District Facilities Constructed. As between the parties, it is expressly agreed that the Master District shall be the owner of the Master District Facilities constructed or acquired by or on behalf of the Master District under this Article (except the Permanent Waste Disposal System), including all related appurtenances, sites, rights-of-way, easements, and all enlargements, extensions, or improvements thereto. Upon transfer of any of the Master District Facilities to MUD No. 1, MUD No. 1 shall be the owner of the transferred Master District Facilities, including all related appurtenances, sites, rights-of-way, easements, and all enlargements, extensions, or improvements thereto.

Notwithstanding any other provision of this Contract, no connection shall be made or authorized to be made by the District or its operator to any Master District Facilities, regardless of whether or not such Master District Facilities have been conveyed to the MUD No. 1, without the prior written approval of: (i) the Master District's engineer, and (ii) the Master District's operator, if the Master District is then operating the Master District's Water Delivery System, [the Master District's Storm Sewer System], and the Master District's Sanitary Sewage Collection System.

Section 2.13: Right of District to Construct Master District's Water, Sewer, and Drainage Facilities and Road Facilities. Pursuant to and subject to the terms of this Contract, the Master District is under an obligation to acquire, construct, or expand the Master District's Water, Sewer, and Drainage Facilities and Master District's Road Facilities necessary to provide Services to the District. Failure on the part of the Master District to respond in a timely manner could result in considerable damages to the District. In the event the Master District fails to meet its obligations to provide the Master District's Water, Sewer, and Drainage Facilities or Master District's Road Facilities, as required by this Contract, the District shall have the right to design, acquire, construct, or expand the Master District's Water, Sewer, and Drainage Facilities or Master District's Road Facilities needed to provide service to it and convey the Master District's Water, Sewer, and Drainage Facilities and Road Facilities to the Master District in consideration of payment for the actual reasonable and necessary Capital

Costs by the Master District. The Master District shall be under an obligation to pay for and accept the conveyance of the Master District's Water, Sewer, and Drainage Facilities and Road Facilities only if:

(A) The Master District's Water, Sewer, and Drainage Facilities and Road Facilities are approved, designed, and constructed in accordance with applicable Regulatory Requirements;

(B) The plans and specifications for the Master District's Water, Sewer, and Drainage Facilities and Road Facilities are reviewed and approved by the Master District prior to the construction of the Master District's Water, Sewer, and Drainage Facilities and Road Facilities. The Master District must approve or disapprove the plans within 45 days after such plans and specifications are submitted to the Master District, and the Master District's approval may not thereafter be withdrawn. The Master District further agrees not to unreasonably withhold its approval. The Master District may delegate responsibility for such review and approval to its engineer or other agent or employee.

(C) Concerning the Master District's Water, Sewer, and Drainage Facilities, adequate capacity is available in the Waste Disposal System and the Water Supply System;

(D) As-built drawings of the Master District's Water, Sewer, and Drainage Facilities and Road Facilities conveyed are delivered to the Master District;

(E) The engineers for the District certify to the Master District that the Master District's Water, Sewer, and Drainage Facilities and Road Facilities to be conveyed have been completed in accordance with the plans and specifications and were constructed under full-time inspection;

(F) The District agrees to assign to the Master District, on or before the first anniversary of the completion and acceptance of the Master District's Water, Sewer, and Drainage Facilities by the District, all manufacturers' and contractors' warranties on the Master District's Water, Sewer, and Drainage Facilities;

(G) The Master District's Water, Sewer, and Drainage Facilities are conveyed to the Master District or Fort Bend County, as applicable, free and clear of all liens and encumbrances;

(H) The Master District's Water, Sewer, and Drainage Facilities are conveyed to the Master District or Fort Bend County, as applicable, by instruments of transfer and conveyance with the approval of the attorneys for the Master District, which approval shall not be unreasonably withheld; and

(l) The District agrees by appropriate instrument to be responsible for any extraordinary maintenance or repairs to the Master District's Water, Sewer, and Drainage Facilities for a period of one (1) year after the Master District's Water, Sewer, and Drainage Facilities are completed and accepted by the District from the contractor.

The Master District shall value the Master District's Water, Sewer, and Drainage Facilities constructed by the District and shall pay to the District an amount equal to the Capital Costs expended or incurred for the acquisition and construction of the Master District's Water, Sewer, and Drainage Facilities. The Master District reserves the right to require a construction audit to ascertain the actual Capital Costs of the Master District's Water, Sewer, and Drainage Facilities proposed to be conveyed to the Master District. Notwithstanding the foregoing, the District reserves the right to pursue legal remedies against any other Participant, or any contractor or subcontractor who engages in an artifice or manipulation to artificially establish the prices for the construction of any of the Master District's Water, Sewer, and Drainage Facilities. Upon failure of the District to pursue such remedies, the Master District shall have the right to pursue such remedies.

Section 2.14: Reservation of Capacity. The Master District has adopted or shall adopt, and may from time to time amend, written policies to reserve and allocate capacity in some or all Master District Water, Sewer, and Drainage Facilities on a fair and equitable basis between the District and other Participants. After adoption of such policies, the District shall be provided a copy. The District agrees that it will not take any action to obtain or use, or attempt to obtain or use, capacity in the Master District Water, Sewer, and Drainage Facilities in excess of what has been reserved to the District pursuant such Master District policies, regardless of whether or not the applicable Master District Water, Sewer, and Drainage Facilities have been conveyed to MUD No. 1.

Section 2.15: Fire Department and Fire-Fighting Activities. The Master District and the District have developed and adopted a fire plan as approved by the TCEQ. MUD No. 1 has entered into an agreement with the City whereby the City will design and construct Fire Station No. 5, and MUD No. 1 will advance funds necessary to pay for such fire station and acquisition of such equipment. The Master District on behalf of the District has contributed each District's pro rata share of the Master District Fire Facilities.

ARTICLE IIA

FINANCING OF MASTER DISTRICT FACILITIES

Section 2A.1: Master District's Water, Sewer, and Drainage Facilities. The Master District intends to finance the Capital Costs of the Master District's Water, Sewer

and Drainage Facilities through the issuance of its Master District Water, Sewer, and Drainage Bonds pursuant to this Contract.

Section 2A.2: Master District's Road Facilities and Master District's Park Facilities. The Master District, in its sole discretion, may determine to finance the Capital Costs of the Master District's Road Facilities or the Master District's Park Facilities either through: (i) the issuance of its Master District Road Bonds or Master District Park Bonds, respectively, or (ii) the charge and collection of Road Construction Charges or Park Construction Charges, respectively, financed and paid by each Participant. The Master District shall inform each Participant of its determinations made pursuant to the sentence above.

Section 2A.3: Method of Calculating the Road Construction Charge and the Park Construction Charge. If the Master District determines to finance the Capital Costs of the Master District's Road Facilities or the Master District's Park Facilities through the charge and collection of Road Construction Charges or Park Construction Charges, respectively, then the Road Construction Charge and the Park Construction Charge is to be computed from time to time on the basis of the then estimated total Capital Costs of providing the Master District's Road Facilities or the Master District's Park Facilities, respectively, for the Service Area minus the payments which have been previously received from the Participants as Road Construction Charges and Park Construction Charges, respectively, and dividing the result by the number of estimated total Connections to be constructed within the Service Area minus the number of Connections that have previously paid Road Construction Charges and Park Construction Charges, respectively, to the Master District. The Master District shall compute the Road Construction Charge and the Park Construction Charge and disclose all figures used in its computations to the District. All such figures shall be prepared from the best evidence available to the Master District. The Master District reserves the right to provide, from time to time, for an automatic escalator (which may be, without limitation, the Engineering News Record Construction Cost Index) to be applied to a base Road Construction Charge or Park Construction Charge established as of any particular date, which escalator may remain in effect until the next computation. The Master District may periodically recompute the Road Construction Charge or the Park Construction Charge based on changes in Capital Costs, land plans, or any other relevant factors. In no event, however, shall the District be required to issue bonds to pay Road Construction Charges or Park Construction Charges paid by the District under this Contract in excess of any applicable legal limit. Any Road Construction Charges or Park Construction Charges not able to be paid from bond proceeds shall be paid from other legally available funds of the District.

Section 2A.4: Payment of Road Construction Charges and Park Construction Charges to the Master District. If the Master District determines to finance the Capital Costs of the Master District's Road Facilities or the Master District's Park Facilities through the charge and collection of Road Construction Charges or Park Construction

Charges, respectively, then the District shall satisfy the Road Construction Charges and the Park Construction Charges either by payment of money at the rate in effect on the date of such payment or by the transfer to the Master District of portions of the Master District's Road Facilities or the Master District's Park Facilities, respectively, equal in value to the Road Construction Charge or the Park Construction Charge, respectively, then in effect on the date such transfer is accepted by the Master District multiplied by the number of Connections being acquired by the District. Any money paid to the Master District by the District of Road Construction Charges shall be deposited in the Road Construction Fund. Any money paid to the Master District by the District of Park Construction Charges shall be deposited in the Park Construction Fund. Any Road Construction Charges and Park Construction Charges calculated according to Section 2A.3 shall be paid by the District to the Master District at the time reservations of capacity in the Master District Facilities are requested by the District for a specific number of Connections. The Road Construction Charges and Park Construction Charges must be paid by the District to the Master District before any new Connection within the District to be served by the Master District Facilities will be authorized. The Master District may allow the District to delay its payment of Road Construction Charges and Park Construction Charges to the Master District until after the District has sufficient District bond funds available for such purposes.

Section 2A.5: Master District Road Construction Charges and Park Construction Charges. The Master District in its capacity as a Participant shall have the same rights and obligations as other Participants and shall be obligated to pay the Road Construction Charges and the Park Construction Charges on the same basis as any other Participant.

Section 2A.6: Master District's Fire Facilities. The Master District intends to finance the Capital Costs of the Master District's Fire Facilities through the issuance of its Master District Fire Bonds pursuant to this Contract.

Section 2A.7: Financing Alternative. By amendment to this Contract duly approved by the Master District and the District, the District may be authorized to finance any of the Master District Facilities. The Master District and the District agree that in the event of such an amendment, no election shall be required to approve the amendment and the Contract, as amended shall remain in full force and effect.

ARTICLE III

ISSUANCE OF BONDS BY THE MASTER DISTRICT

Section 3.1: General. To the fullest extent currently or hereafter allowed by law, the Master District is authorized to issue contract revenue bonds sufficient, as determined solely by the Master District, to complete acquisition and construction of the Master District Facilities as needed to serve all districts in the Service Area;

provided, however that: (i) the aggregate amount of Master District Water, Sewer, and Drainage Bonds shall not exceed \$441,800,000; (ii) the aggregate amount of Master District Road Bonds shall not exceed \$249,500,000; (iii) the aggregate amount of Master District Park Bonds shall not exceed \$218,300,000; and (iv) the aggregate amount of Master District Fire Bonds shall not exceed \$32,800,000. Any increase in the amount of bonds authorized to be issued by the Master District pursuant to "(i)," "(ii)," "(iii)" or "(iv)" of the previous sentence shall require the written approval of all Participants and the approval of an amendment to this Contract by the voters at an election held by each Participant.

Section 3.2: Authority to Issue Bonds. Subject to Section 3.1 above, the Master District shall have the power, without any approval by or consent of the District or any other Participant, to issue from time to time (subject to obtaining the opinion of the Attorney General approving such bonds and obtaining any necessary approvals of the Commission for the sale of such bonds) its Master District Water, Sewer, and Drainage Bonds, its Master District Road Bonds, its Master District Fire Bonds and its Master District Park Bonds, all as the Board of Directors of the Master District shall determine to be necessary or desirable to obtain funds:

- (A) To pay all Capital Costs to acquire, construct, improve, enlarge, extend, or repair the Master District Facilities, in order to serve the District and other Participants;
- (B) To pay Operation and Maintenance Expenses during construction and the initial operating period;
- (C) To capitalize interest on the bonds;
- (D) To provide such reserve or contingency funds as the Board of Directors of the Master District in its judgment deems necessary;
- (E) To pay all costs incurred in the issuance of the bonds; and
- (F) To refund or refinance any bonds theretofore issued in any manner provided by law.

Section 3.3: Notice of Intent to Issue Bonds. Prior to issuing bonds as provided in this Article, the Master District shall notify the District of its intention to issue such bonds within ten (10) days after filing of a bond application with the Commission or other agency having jurisdiction. Notwithstanding any provision hereof, failure of the Master District to provide such notice shall in no way limit or impede the Master District's ability and power to issue bonds. Upon written request of the District, the Master District will provide a copy of such application to the District. The District will bear all costs of making such copy.

Within thirty (30) days after issuance of each series of Master District Bonds, the Master District shall provide the District with a copy of the bond resolution and the Master District's estimate of the amounts required to: (i) pay or provide for the payment of (a) all the interest and the principal on all bonds issued pursuant to this Article III when and as same shall become due and payable, and (b) all sinking fund and/or all reserve fund payments to be made in respect of any bonds issued pursuant to this Article III when and as the same shall become due and payable; and (ii) fulfill the terms of any agreements or covenants made with the holders of any bonds issued pursuant to this Article III and/or with any person on their behalf.

Section 3.4: Failure to Institute Arbitration. Should the District, within sixty (60) days after receiving notice of the Master District's intention to issue bonds as provided in Section 3.3 above, fail to institute arbitration pursuant to Section 11.16 hereof to settle any claim, objection, or controversy which the District might raise concerning such issuance of bonds, any such claim, objection, or controversy shall be considered as waived and abated.

Section 3.5: Terms of the Bonds. The Master District Bonds, as authorized in this Article, may either be sold at such price or prices as the Board of Directors of the Master District shall determine, and the Master District Bonds, as authorized in this Article, may be issued at any rate or rates of interest as the Board of Directors of the Master District may determine, provided that the net effective interest rate on any issue or series of such Master District Bonds shall not exceed the maximum legal limit in effect at the time of issuance of each such issue or series. All Master District Bonds shall be authorized by resolution or resolutions of the Board of Directors of the Master District approved by at least a majority of the members thereof, and shall bear such date or dates, mature at such time or times, bear interest at such rate or rates, payable annually or semiannually or at maturity, be in such denominations, and in such form, carry such registration privileges as to principal only or as to both principal and interest, and as to exchange of bonds of one denomination for bonds of other denominations, be executed in such manner and be payable at such place or places within or without the State of Texas, as such resolution or resolutions may provide. Any resolution or resolutions authorizing any bonds may contain such provisions as the Board of Directors of the Master District deems appropriate, which shall be a part of the contract between the Master District and the holders thereof from time to time, including without limitation of the generality thereof, provisions:

- (A) Providing for disposition and use of bond proceeds;
- (B) Reserving the right or requiring the Master District to redeem the bonds at such time or times, in such amounts and at such prices, plus accrued interest, as may be provided;

(C) Providing for the setting aside of sinking funds and reserve funds and the regulation and disposition thereof;

(D) Pledging to secure the payment of the principal of and interest on the bonds and of the sinking fund payments agreed to be made in respect of such bonds from all or any part of the gross or net revenues thereafter received by the Master District in respect of the property, real, personal, or mixed, to be acquired and/or constructed with such bonds or the proceeds thereof, or all or any part of the gross or net revenues thereafter received by the Master District from whatever source derived, including payments received from the Participants pursuant to Article IV hereof.

(E) Prescribing the purposes to which such bonds or any bonds thereafter to be issued, or the proceeds thereof, may be applied;

(F) Agreeing to fix and collect rates and charges sufficient to produce revenues adequate to operate and maintain some or all of the Master District Facilities, and prescribing the use and disposition of all revenues;

(G) Providing for investment of funds;

(H) Prescribing limitations upon the issuance of additional bonds and upon the agreements which may be made with the purchasers and successive holders thereof;

(I) Providing for constructing, extending, improving, reconstructing, operating, maintaining, or repairing of some or all of Master District Facilities, and carrying of insurance upon all or any part of properties covering loss or damage or loss of use and occupancy resulting from specified risks;

(J) Fixing the procedure, if any, by which, if the Master District shall so desire, the terms of any contract with the holders of such bonds may be amended or abrogated, and prescribing the amount of bonds the holders of which must consent thereto, and the manner in which such consent may be given;

(K) Providing for the execution and delivery by the Master District to a bank or trust company authorized by law to accept trusts, or to the United States of America or any officer or agency thereof, of indentures and agreements for the benefit of the holders of such bonds setting forth any or all of the agreements herein authorized to be made with or for the benefit of the holders of such bonds and such other provisions as may be customary in such indentures or agreements;

(L) Providing that such bonds are additionally secured by a mortgage or deed of trust lien on all or any part of the Master District Facilities, other than Master District Park Facilities, purchased or constructed with the proceeds of the bonds, such mortgage or lien to be subject to the obligations of the Master District to the District hereunder; and/or

(M) Relating to events of default under any resolution, indenture, or agreement entered into with the bondholders and any remedies provided to such bondholders which the Master District may deem advisable, including but not limited to mandamus, suits at law or equity, appointment of a receiver, or any other remedies that are not inconsistent with the provisions of this Article as the Board of Directors of the Master District may approve.

Section 3.6: Sale of Bonds to Texas Water Development Board. In the event that the Master District sells Master District Water, Sewer, and Drainage Bonds to the Texas Water Development Board or similar body, the District agrees to fully cooperate with the Master District in adopting water conservation and drought contingency plans that comply with the City's Groundwater Reduction Program and in meeting other requirements imposed as a condition of purchase of the bonds by the Texas Water Development Board.

Section 3.7: Alternative Funds. If, for any reason, the Master District is unable to issue and sell its bonds to provide funds for the purposes set out in this Contract, the District recognizes its ultimate obligation to provide its proportionate share of required funds to the Master District from any lawful source available to or which can be made available to the District (including, without limitation, District bond proceeds).

Section 3.8: Master District Notes. The Master District shall have the power, without any approval by or consent of the District or any other Participant, to issue notes (including, without limitation, bond anticipation notes) to the fullest extent currently or hereafter allowed by law.

ARTICLE IV

ELECTION, TAXES, AND PAYMENTS

Section 4.1: District Election. As provided in this Section 4.1, the District has or will call an election, or elections, in accordance with the provisions of any law authorizing such an election, for the approval of this Contract and the authorization to levy, assess, and collect ad valorem taxes on all taxable property within the boundaries of the District, without limit as to rate or amount, sufficient to make timely payment of all charges under this Contract to the Master District. The District has or will submit to the voters in such election four propositions regarding approval of the Contract as follows: (i) a proposition that approves the provisions of the Contract and specifically approves the District's obligation to levy an annual ad valorem tax to make payments for the Debt Service Requirements of the Master District Water, Sewer, and Drainage Bonds and for Monthly Charges associated with the Services from the Master District's Water, Sewer, and Drainage Facilities; (ii) a proposition that approves the provisions of the Contract and specifically approves the District's obligation to levy an annual ad valorem tax to make payments for the Debt Service Requirements of the Master District

Road Bonds and for Monthly Charges associated with the Services from the Master District's Road Facilities; (iii) a proposition that approves the provisions of the Contract and specifically approves the District's obligation to levy an annual ad valorem tax to make payments for the Debt Service Requirements of the Master District Park Bonds and for Monthly Charges associated with the Services from the Master District's Park Facilities; and (iv) a proposition that approves the provisions of this Contract and specifically approves the fire plan and contract to provide fire-fighting services for the District. If proposition "i," above, is approved at said election, regardless of whether or not propositions "ii" and "iii," above, are approved, then the District's obligation to levy an annual ad valorem tax to make payments for Debt Service Requirements for Master District Water, Sewer, and Drainage Bonds and for Monthly Charges associated with the Services from the Master District's Water, Sewer, and Drainage Facilities shall be authorized. If proposition "ii," above, is approved at said election, regardless of whether or not propositions "i" and "iii," above, are approved, then the District's obligation to levy an annual ad valorem tax to make payments for Debt Service Requirements for Master District Road Bonds and for Monthly Charges associated with the Services from the Master District's Road Facilities shall be authorized. If proposition "iii," above, is approved at said election, regardless of whether or not propositions "i" and "ii," above, are approved, then the District's obligation to levy an annual ad valorem tax to make payments for Debt Service Requirements for Mater District Park Bonds and for Monthly Charges associated with the Services from the Master District's Park Facilities shall be authorized. If proposition "iv," above, is approved at said election, regardless of whether or not propositions "i" "ii" and "iii," above, are approved, then the District's obligation to levy an annual ad valorem tax to make payments for Debt Service Requirements for Mater District Fire shall be authorized. Notwithstanding any provision of this Contract to the contrary, if such election does not pass, the Master District shall not be obligated to provide any service to the District under this Contract. Upon request by the Master District, the District shall provide certified copies of all proceedings pertaining to the creation and confirmation of the District and authorization and execution of this Contract.

Section 4.2: Duty to Levy Tax. Subject to the passage of the election required in Section 4.1, the District agrees to levy and hereby levies and shall annually assess and collect a continuing, direct ad valorem tax on all taxable property within the boundaries of the District to make timely payments of all charges required under this Contract to the Master District, without limitation as to rate or amount, sufficient to pay the District's Pro Rata Share of the funds needed by the Master District to pay Debt Service Requirements on the Master District Bonds issued pursuant to this Contract and the District's share of amounts necessary to pay the Monthly Charges, except to the extent the District has available funds which may be lawfully used for such purposes.

In addition, the District agrees to levy and hereby levies and shall annually assess and collect a continuing, direct ad valorem tax on all taxable property within the

boundaries of the District to make timely payments of all charges required under this Contract to the Master District, without limitation as to rate or amount, sufficient to pay the District's share of amounts necessary to pay the Monthly Charges (other than Monthly Charge for maintenance of Master District Road Facilities or any other road facility for which the Master District derives its authority from Article III, Section 52, Texas Constitution), except to the extent the District has available funds which may be lawfully used for such purpose.

Section 4.3: Calculation and Payment of Debt Service. The Master District shall prepare an annual debt service budget which contains the following items and shall be subdivided into separate budgets for each of the Master District Water, Sewer, and Drainage Bonds, the Master District Road Bonds, the Master District Fire Bonds and the Master District Park Bonds, to the extent necessary or convenient:

(A) the total Debt Service Requirements on the Master District Bonds for the next calendar year, including paying agent and registrar fees;

(B) the total revenues required to pay such Debt Service Requirements and related expenses after allowance for fund balances resulting from capitalized interest, interest earnings, and other revenues;

(C) the cumulative total of the Certified Appraised Value of all Participants and the calculation of the District's Pro Rata Share of Debt Service Requirements and each Participant's Pro-Rata Share of Debt Service Requirements; and

(D) amounts due from the District and each Participant and the dates on which such amounts are due and payable.

In preparing the debt service budget, the Master District shall adjust the District's Pro Rata Share and the other Participant's pro rata share of the Debt Service Requirements to reflect any changes in the Certified Appraised Value that occurred subsequent to the date the debt service budget for the previous year was submitted to the District and other Participants.

Such budget shall be prepared and sent to the District and each Participant by September 1 or as soon as practicable after all Participants have received their respective Certified Appraised Values for the year.

The District agrees to pay the District's Pro Rata Share of Debt Service Requirements to the Master District from the proceeds of ad valorem taxes authorized, assessed, and levied for such purposes, revenues, if any, derived from the operation of the District's facilities or from any other legally available services on or before the date specified by the Master District.

If the District fails to pay any amounts due to the Master District on the date(s) specified, such unpaid amount shall accrue interest at the rate of fifteen percent (15%) per annum. If the Master District institutes suit to collect any unpaid amounts, the Master District shall be entitled to recover reasonable attorneys' fees.

Section 4.4: Unconditional Obligation to Pay. All charges imposed by the Master District to pay debt service on Master District Bonds, to make payments to other persons constructing or financing Master District Facilities, and to pay Operation and Maintenance Expenses shall be made by the District without set-off, counterclaim, abatement, suspension, or diminution, and this Contract shall not terminate, nor shall the District have any right to terminate this Contract nor be entitled to the abatement of any such payment or any reduction thereof nor shall the obligations of the District under this Article IV be otherwise affected for any reason, including without limitation acts or conditions of the Master District that might be considered failure of consideration, eviction or constructive eviction, destruction or damage to the Master District Facilities, failure of the Master District to perform and observe any agreement, whether expressed or implied, or any duty, liability, or obligation arising out of or connected with the Contract, it being the intention of the parties that all sums required to be paid by the District to the Master District for such purposes shall continue to be payable in all events and the obligations of the District hereunder shall continue unaffected, unless the requirement to pay the same shall be reduced or terminated pursuant to an express provision of this Contract.

If the District disputes the amount to be paid to the Master District, the District shall nonetheless promptly make payments as billed by the Master District, and if it is subsequently determined by agreement, arbitration, regulatory decision, or court decision that such disputed payment should have been less, the Master District will then make proper adjustments to all Participants so that the District will receive credit for its overpayments. Nothing contained in this Section shall be construed to release the Master District from performance of any of the agreements on its part in this Contract and in the event the Master District shall fail to perform any such agreement, the District may seek such relief against the Master District pursuant to Section 11.7 of this Contract as the District deems necessary so long as same does not abrogate the District's obligation to make the payments set out in this Section.

Section 4.5: Master District Payment of Debt Service Requirements/Monthly Charges and Master District Election Required. It is understood and agreed that the Master District will pay its share of Debt Service Requirements and Monthly Charges in the same manner and calculated as if it were a Participant only and not the Master District. The Master District has or will submit to its voters propositions approving the provisions of this Contract and authorizing the Master District to levy a tax in payment of its obligations hereunder so that the Master District is authorized to levy and collect ad valorem taxes on all taxable property within the Master District's boundaries to pay its contractual obligations hereunder on the same terms and conditions as the District.

ARTICLE V

MONTHLY CHARGES FOR SERVICES PROVIDED

Section 5.1: General Statement. The parties recognize that, because the expenses of the Master District will vary from time to time, it is neither practicable nor possible to fix a schedule of specific Monthly Charges in this Contract which will control the Monthly Charges to be paid by the Participants to the Master District for Services rendered throughout the term of this Contract. The parties further recognize, however, that the Master District is not organized for profit and that its Monthly Charges should be at all times the lowest rates which are consistent with its obligations under this Contract. The Master District further recognizes its obligation as a public utility to establish Monthly Charges which are just and reasonable and to serve the District and others of the same class without discrimination as to either Monthly Charges or types of service.

The Master District covenants and agrees that the Monthly Charges will be reasonable and nondiscriminatory and will be reviewed at least annually. The Master District further covenants and agrees that the Monthly Charges will be revised or reduced from time to time so that the monies received by the Master District from the District will be used only for the purposes set out herein.

It is understood and agreed that the Master District will also pay Monthly Charges as set forth in this Article V, calculated as if it were a Participant only and not the Master District. The Master District will bill itself and pay delinquent charges in the same manner as other Participants. The District and the Master District recognize the duty of the Master District to fix and revise its Monthly Charges for Services to be furnished and made available to all Participants, including the Master District, so that the gross operating revenues received by the Master District from the Master District Facilities will at all times be not less than an amount sufficient to:

(A) pay or provide for the payment of all Operation and Maintenance Expenses; and

(B) provide for an operation and maintenance reserve in the General Fund (the "Reserve") equivalent to three (3) months of Operation and Maintenance Expenses.

The District recognizes that the Master District must fix and, from time to time, alter and revise its Monthly Charges so that the revenues actually received by the Master District, including payments made by the Master District, will be sufficient as aforesaid on the basis of actual cash and Reserve requirements, with full allowance being made for delinquencies and costs of collection.

Section 5.2: Payments by the District. The District agrees to pay the Master District at the time and in the manner herein set forth, so long as this Contract is in force and effect, the Monthly Charges established as set forth in this Contract.

Section 5.3: Budgets.

(A) On the basis of estimates from its consultants, past operating experience, and related data, the Master District shall establish, prior to the commencement of Services to the District, a budget, for the operation of all the Master District Facilities that will be operated by the Master District for the remainder of that fiscal year. Thereafter, budgets shall be prepared annually. Such budget shall include all Operation and Maintenance Expenses, Reserve requirements, if any, and expenses reasonably expected to be incurred for the period of time covered by the budget. Such budget may include Capital Costs reasonably expected to be incurred to meet Regulatory Requirements and may include other Capital Costs upon consent of all Participants.

(B) Regardless of whether MUD No. 1 Facilities have been conveyed to MUD No. 1, prior to commencement of Services to the District, and annually thereafter not later than ninety (90) days prior to the beginning of each budget period, the District will furnish to the Master District the District's best estimate of (1) the total quantity of Waste which the District expects to discharge into the Waste Disposal System during each month of the period covered by such budget; (2) the total quantity of water which the District expects to use during each month of the period covered by such budget; (3) a monthly estimate of Residential Connections and Commercial Connections to be located within the District during the period covered by such budget; and (4) the total number of Connections reserved in the Master District Facilities to serve the District.

(C) On the basis of such information and not later than forty-five (45) days prior to the beginning of each budget period, the Master District shall prepare a budget which shows the following:

- (1) the total Operation and Maintenance Expenses;
- (2) the total Reserve requirement;
- (3) the total revenues required to pay Operation and Maintenance Expenses and to establish the Reserve requirement; and
- (4) the projected unit cost of Operation and Maintenance Expenses and the Reserve requirement expressed in terms of cost per Connection.

(D) The budget shall be submitted by the Master District to the District. The budget shall be deemed approved unless disapproved in writing by a two thirds (2/3) majority of the Participants within forty-five (45) days after receipt by the Participants. If the budget is so disapproved, and the parties cannot agree on a modified budget, any Participant may submit the budget to arbitration as provided in Section 11.16. Until a final decision is made in arbitration, the budget proposed by the Master District shall be implemented and the District is obligated to pay all amounts due thereunder.

(E) If the District pays more than its respective share of Operation and Maintenance Expenses and Reserve requirements because of a mistake in billing by the Master District, the Master District shall refund the overpayment to the District at the end of the year, or credit the District for such amount in the next budget year.

(F) Notwithstanding anything in this Contract to the contrary, if the Participants agree or if Regulatory Requirements necessitate, the Master District shall have the right to establish a separate annual budget for all or any portion of the Operation and Maintenance Expenses attributable or related to the Waste Disposal System and to allocate said Operation and Maintenance Expenses attributable to or related to the Waste Disposal System (or said portion thereof) among the District and other Participants by Monthly Charges based on actual use of the Waste Disposal System (which may be based on the amount of water used by the District and other Participants and which may take into consideration the quality of Waste being discharged by the District and other Participants to the Waste Disposal System) rather than on a unit cost per connection. Without limiting the Master District's authority in the preceding sentence, the Master District may structure its Monthly Charges so as to comply with Regulatory Requirements.

(G) Any claim, dispute, or controversy arising out of the annual operating budget, the unit cost, the Monthly Charges, or any other matter or circumstance relating to the Operation and Maintenance Expenses or Reserve requirements shall be resolved by arbitration as provided in Section 11.16 of this Contract.

Section 5.4: Initial Funding of Operation and Maintenance Reserve. The Master District shall establish and thereafter maintain a Reserve in the General Fund, equivalent to three (3) months' Operation and Maintenance Expenses as set forth in the annual budget. The District shall make Reserve payments in the following manner:

(A) Prior to commencement of Services under this Contract, the Master District shall bill the District an amount calculated by multiplying the unit cost per Connection, as computed in Section 5.3(C)(4), by the number of Connections

reserved to the District for the period covered by the first budget and multiplying such product by three. The District may pay such amount prior to the commencement of Services or may request the Master District to bill the District at a rate equal to one hundred fifty percent (150%) of the budgeted Monthly Charge (including Monthly Charges based on actual use of the waste Disposal System) until such time as the full amount owed under this Section 5.4(A) has been paid.

(B) If the Master District expends more than two-thirds (2/3) of the Reserve in any one fiscal year, the Master District may increase the Monthly Charges to the Participants to replenish the Reserve over the balance of the fiscal year, or may include Reserve requirements for such replenishment in the next annual budget. The Master District shall immediately notify the District of such increase and shall provide a written explanation for the cause thereof.

The Master District may use monies from the Reserve for any Operation and Maintenance Expenses and extraordinary expenses and repairs, including costs required to comply with Regulatory Requirements.

Section 5.5: Billing. The Master District will promptly render monthly bills to the District in an amount determined by multiplying the number of Connections reserved to the District on the first day of the previous month by the unit cost per Connection shown in the budget. The Master District shall, until further notice, render such bills on or before the first day of each month and such bills shall be due and payable on or before the 1st day of the succeeding month or thirty-five (35) days after such bill is deposited in the United States mail, properly stamped and addressed to the District, whichever is later, and interest shall accrue thereon at the rate of fifteen percent (15%) per annum if not paid within thirty (30) days after such bill is due and payable until paid in full. The Master District may, however, from time to time, by forty-five (45) days' written notice and with the consent of the District, change the monthly date by which it shall render bills, and all bills shall thereafter be due and payable thirty (30) days after such dates or thirty-five (35) days after deposit in the United States mail, properly stamped and addressed to the District, whichever is later. If the Master District establishes Monthly Charges for Maintenance and Operation Expenses of the Waste Disposal System based on actual use, it may establish a separate billing schedule for such charges.

Section 5.6: Delinquency in Payment. In the event the District fails to pay any bills when due and payable, the Master District shall give written notice of such delinquency to the District, and if all bills due and unpaid, including interest thereon, are not paid within forty-five (45) days after delivery of such notice, then the District agrees that the Master District shall be authorized, at its option, to institute arbitration or suit for collection thereof and to collect any amounts due and unpaid, together with interest thereon at the rate of fifteen percent (15%) per annum and reasonable attorneys'

fees. In addition to the other remedies provided herein for failure to make timely payment, the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in Master District Facilities.

Section 5.7: Covenant to Maintain Sufficient Income. The District recognizes its duty to, and covenants and agrees that at all times it will, establish and maintain and from time to time adjust the rates, fees, and charges for the services provided by the District, or the availability of such services, to the end that the gross revenues therefrom together with any taxes levied in support thereof and funds received from any other lawful source will be sufficient at all times to pay all operation and maintenance expenses of the District and all the District's obligations to the Master District under this Contract. Sums paid by the District to the Master District hereunder from the rates, fees, and charges for services provided by the District's Sanitary Sewer Collection System and the District's Water Delivery System, if the District is operating such systems, shall constitute operating expenses of the District's Sanitary Sewer Collection System and the District's Water Delivery System.

ARTICLE VI

FUNDS, RECORDS, AUDITS AND INSURANCE

Section 6.1: Creation of Funds. The Master District shall establish the General Fund, the Water, Sewer, and Drainage Construction Fund, the Road Construction Fund, the Park Construction Fund, and the Debt Service Fund. Such funds shall be kept separate and apart from all other funds of the Master District. The General Fund, the Water, Sewer, and Drainage Construction Fund, the Road Construction Fund, the Park Construction Fund, and the Debt Service Fund shall constitute trust funds which shall be held in trust for the benefit of the Participants as provided in this Contract. The Master District reserves the right to create additional funds, and accounts or sub-accounts within any funds established by the Master District, pursuant to the terms of the resolutions authorizing Master District Bonds.

Section 6.2: Security of Funds. Any cash balance in such funds shall be continuously secured in the manner required by the laws of the State of Texas applicable to the Master District as such laws now exist or may exist during the term of this Contract.

Section 6.3: General Fund. The Master District shall deposit, as collected, the Monthly Charges billed pursuant to Article V hereof into the General Fund. All monies deposited in the General Fund shall be used for the purpose of paying the Operation and Maintenance Expenses and funding the Reserve requirements.

Section 6.4: Debt Service Fund. The Master District shall deposit, as collected, the payments due pursuant to Section 4.3 hereof into the Debt Service Fund. All monies

deposited in the Debt Service Fund shall be used for the purpose of paying the Debt Service Requirements. The Master District may, in its sole discretion, establish separate debt service funds for Master District Park Bonds, Master District Road Bonds, Master District Water, Sewer, and Drainage Bonds and any series thereof.

Section 6.5: Water, Sewer, and Drainage Construction Fund. The Master District shall deposit into the Water, Sewer, and Drainage Construction Fund, proceeds, as received, from Master District Water, Sewer, and Drainage Bonds, that are to be used for Capital Costs of the Master District's Water, Sewer, and Drainage Facilities, reimbursement or payment to developers or other entities for Capital Costs of the Master District's Water, Sewer, and Drainage Facilities, payment for issuance costs (including, without limitation, legal and fiscal agent fees, printing costs, Commission fees) related to Master District Water, Sewer, and Drainage Bonds, and any other related purposes. All monies deposited into the Water, Sewer, and Drainage Construction Fund shall be used for the purposes described in the preceding sentence.

Section 6.6: Road Construction Fund. The Master District shall deposit into the Road Construction Fund proceeds, if any, as received, from Master District Road Bonds, that are to be used for Capital Costs of the Master District's Road Facilities, reimbursement or payment to developers or other entities for Capital Costs of the Master District's Road Facilities, payment for issuance costs (including, without limitation, legal and fiscal agent fees, printing costs) related to Master District Road Bonds, and any other related purposes. The Master District shall also deposit into the Road Construction Fund all Road Construction Charges, if any, as received, that are to be used for Capital Costs of the Master District's Road Facilities, or reimbursement or payment to developers or other entities for Capital Costs of the Master District's Road Facilities, and any other related purposes. All monies deposited into the Road Construction Fund shall be used for the purposes described in the preceding two sentences.

Section 6.7: Park Construction Fund. The Master District shall deposit into the Park Construction Fund proceeds, if any, as received, from Master District Park Bonds, that are to be used for Capital Costs of the Master District's Park Facilities, reimbursement or payment to developers or other entities for Capital Costs of the Master District's Park Facilities, payment for issuance costs (including, without limitation, legal and fiscal agent fees, printing costs, Commission fees) related to Master District Park Bonds, and any other related purposes. The Master District shall also deposit into the Park Construction Fund all Park Construction Charges, if any, as received, that are to be used for Capital Costs of the Master District's Park Facilities, or reimbursement or payment to developers or other entities for Capital Costs of the Master District's Park Facilities, and any other related purposes. All monies deposited into the Park Construction Fund shall be used for the purposes described in the preceding two sentences.

Section 6.8: Investments. Monies deposited into the General Fund, the Debt Service Fund, the Water, Sewer, and Drainage Construction Fund, the Road Construction Fund, and the Park Construction Fund may be invested or reinvested in Authorized Investments and all investments shall belong to such fund. If any monies are so invested, the Master District shall have the right to have sold, in the open market, a sufficient amount of such investments to meet its obligations in the event the General Fund, the Debt Service Fund, the Water, Sewer, and Drainage Construction Fund, the Road Construction Fund, or the Park Construction Fund does not have sufficient uninvested funds on hand to meet the obligations payable out of such fund. The Master District shall not be responsible to any Participant for any loss arising out of the sale of any investment.

Section 6.9: Earnings from Investments. The interest accruing on, and any profits realized from, investing monies of the General Fund, the Debt Service Fund, the Water, Sewer, and Drainage Construction Fund, the Road Construction Fund, or the Park Construction Fund shall be credited to the fund from which such investment came; provided, however, that the Master District may determine that earnings and profits from investments of the General Fund should be deposited into the Debt Service Fund, in which case such earnings and profits shall be deposited into the Debt Service Fund for so long as the Master District directs.

Section 6.10: Accounts, Records and Accounting Records. The Master District covenants and agrees that it will maintain books of records and accounts in which full, true, and proper entries will be made of all dealings, transactions, business, and any other matters which in any way affect or pertain to Master District Facilities and the allocation and application of the Monthly Charges and earnings from investments. Such books and accounts will be available for inspection by the District at reasonable hours and under reasonable circumstances. The Master District will operate and budget on a fiscal year basis.

Section 6.11: Audit. After the end of each fiscal year (beginning with the fiscal year or fraction thereof after any part of the Master District Facilities are placed in operation), the Master District will have an audit by a certified public accountant, for the last fiscal year, which shall be submitted to the Master District and each Participant within one hundred and twenty (120) days after the end of the fiscal year.

Section 6.12: Insurance. The Master District covenants that it will, at all times, keep insured such parts of the Master District Facilities (other than MUD No. 1 Facilities) as are usually insured by municipal utility districts operating like properties in similar locations under the same circumstances, with a responsible insurance company or companies, against risk, accidents, or casualties against which and to the extent insurance is usually carried by such corporations; provided, however, that at any time while any contractor engaged in construction work shall be fully responsible therefor, the Master District shall not be required to carry such insurance. All such

policies shall be open to inspection of the District and its representatives at all reasonable times.

Section 6.13: Insurance Proceeds. In the event of any loss or damage to the Master District Facilities (other than MUD No. 1 Facilities), the Master District covenants that it will reconstruct or repair the destroyed or damaged portion of such Master District Facilities and will apply the proceeds of the insurance policies covering such loss or damage solely for that purpose. The Master District covenants that it will begin such work or reconstruction or repair promptly after such loss or damage shall occur and will continue and properly complete the same as expeditiously as possible and will pay, or cause to be paid, all costs and expenses in connection therewith out of the insurance proceeds to the extent insurance proceeds are available.

Section 6.14: Excess Insurance Proceeds. Any insurance proceeds remaining after the completion of, and payment for, any such reconstruction or repairs shall be deposited to the credit of the applicable Construction Fund.

ARTICLE VII

QUANTITY, MEASUREMENT, POINT OF ENTRY AND TITLE

Section 7.1: Quantity of Waste Discharged. While this Contract is in force and effect, the District shall be entitled to discharge and the District agrees to discharge at the points of entry as designated pursuant to Section 7.4, and the Master District has an obligation to receive, at said points of entry, all Waste meeting the requirements of Article VIII which is collected by the District's Sanitary Sewage Collection System; provided, however, that such Waste shall not be discharged at any rate or rates of flow in excess of that portion of the actual hydraulic capacity of the Waste Disposal System which is reserved for the District's connections or in excess of that portion of the capacity of the Waste Disposal System which is reserved for the District's connections to adequately treat and dispose of such Waste in full compliance with all Regulatory Requirements. If the Master District refuses to accept Waste under this Section 7.1, the Master District has the obligation to proceed to acquire such capacity as provided herein. If the District delivers Waste through the point of entry in rates of flow that exceed the capacity of the Waste Disposal System which is reserved for the District's connections or which is in violation of the provisions of this Contract, and the delivery of such Waste causes damage to the Waste Disposal System, the District shall pay one hundred percent (100%) of all costs and expenses incurred by the Master District to repair such damage and any extraordinary cost and expense associated with the treatment and disposal of such Waste.

Section 7.2: Quantity of Water and Pressure. The District shall be entitled to, and the Master District agrees to provide, Potable Water for the residents and business establishments located within the District. The Master District shall design its Water

Distribution System so as to permit the delivery of water to the District, and the Master District shall use its best efforts to deliver water to the District at a pressure of not less than thirty-five (35) pounds per square inch on an average daily flow basis and shall use diligence in the operation of said facilities to maintain such pressure.

Section 7.3: Quantity of Storm Water Discharged. The District shall be entitled to discharge at the points of entry as designated pursuant to Section 7.4, and the Master District has an obligation to receive at said points of entry, all storm water collected by the District's Storm Sewer System; provided, however, that the District will use its best efforts to see that such storm water is not discharged at any rate or rates of flow in excess of the drainage capacity of the Master District Storm Sewer System which is reserved for the District's connections. If the Master District refuses to accept storm water under this Section 7.3, the Master District has the obligation to acquire such capacity as provided herein.

Section 7.4: Point of Entry and Title. The initial points of delivery of water from the Master District to the District and points of entry of Waste and storm water to be discharged by the District into the Waste Disposal System and the Master District Storm Sewer System, respectively, shall be as established by mutual agreement of the District and the Master District. The District and the Master District may designate or substitute additional points of entry at any time by similar mutual agreement.

Title to all Potable Water deliverable hereunder to the District shall remain in the Master District to the points of entry and upon passing through the points of entry, title thereto shall pass to the District. As between the parties hereto, the Master District shall be in exclusive control and possession of, and solely responsible for, all water until the same shall pass through such points of entry, and thereafter the District shall be in exclusive control and possession thereof and solely responsible therefor.

Title to all Waste deliverable hereunder to the Master District shall remain in the District to the points of entry and upon passing through the points of entry, title thereto and to all effluent therefrom shall pass to the Master District. As between the parties hereto, the District shall be in exclusive control and possession of, and solely responsible for, all Waste until the same shall pass through such points of entry, and thereafter the Master District shall be in exclusive control and possession thereof and solely responsible therefor.

Section 7.5: Subject to Section 2.2. The provisions of this Article VII are subject to Section 2.2.

ARTICLE VIII

REGULATION OF QUALITY OF WATER DELIVERED AND WASTES RECEIVED

Section 8.1: Quality of Water Delivered. Any water to be delivered hereunder by the Master District shall be Potable Water; provided, however, Reuse Water may be delivered by the Master District for non potable purposes.

Section 8.2: Regulation of Quality of Waste. In order to permit the Master District to properly treat and dispose of Waste collected by the District's Sanitary Sewage Collection System in compliance with all Regulatory Requirements including those of the City, and to protect the public health and to permit cooperation with other entities for the protection of the physical, chemical, and bacteriological quality of public water and watercourses, and to protect the properties of the Waste Disposal System, the District and the Master District agree that the quality and strength of all Waste collected by the District's Sanitary Sewage Collection System and discharged into the Master District's Sanitary Sewage Collection System must be regulated. The District agrees to regulate the quality and strength of the Waste to be discharged into the Master District's Sanitary Sewage Collection System as hereinafter provided in this Article. The parties further agree that the obligation of the Master District to receive Waste into the Master District's Sanitary Sewage Collection System from the District's Sanitary Sewage Collection System shall depend upon compliance by the District with the provisions of this Article.

Section 8.3: Admissible Waste. Waste discharged into the Waste Disposal System shall consist only of Waste which is amenable to biological treatment.

Section 8.4: Industrial and Commercial Wastes. The effect of Industrial and Commercial Wastes upon sanitary sewers and upon the Waste Disposal System and waste treatment processes is such that careful and special consideration must be made of each connection discharging Commercial or Industrial Waste. This is a matter of importance both to the Master District and to the District.

The District agrees that it will authorize discharge of Industrial and/or Commercial Wastes into the District's Sanitary Sewage Collection System subject to approval by the Master District and upon the terms and conditions as the Master District may prescribe from time to time, after the filing by the applicant industry or commercial enterprise of a statement, a copy of which shall be forwarded to the Master District, containing the following information:

- (A) Name and address of applicant;
- (B) Type of industry, business activity, or other waste-creative process;

- (C) Quantity of Waste to be discharged;
- (D) Typical analysis of the Waste;
- (E) Type of pretreatment proposed; and
- (F) Such other information as the Master District may from time to time request by written notice.

The Master District shall act on such request within sixty (60) days after receipt of all information required by this Contract.

Section 8.5: Testing of Waste. The Master District shall be entitled to collect samples of Waste at or near the point(s) of discharge into the Master District's Sanitary Sewage Collection System or the District's Sanitary Sewage Collection System and cause the same to be analyzed by American Public Health Association standard methods or other appropriate methods to determine if such waste is within the qualities specified and approved by the District. If analysis discloses that the Waste does not comply with the qualities specified, it will be the obligation of the District to require the offending originator to cease discharging such Waste into the District's Sanitary Sewage Collection System or to pretreat such Waste.

Section 8.6: Use of Reuse Water. If Reuse Water is acquired from the City or its Groundwater Reduction Program, as between the parties hereto, the Master District shall own and have the right to utilize, dispose of and/or sell all Reuse Water. The Master District may require that: (i) some or all Reuse Water Facilities be designed, constructed, owned and operated by the Master District; and (ii) the Reuse Water Facilities to be conveyed to MUD No. 1 for ownership and operation by MUD No. 1 (and in such event, the provisions of this Contract to the contrary shall be reformed and construed to recognize that the MUD No. 1 owns such facilities and is responsible for maintenance and operation of same). The District shall not construct any Reuse Water Facilities without the written approval of the Master District. The Master District may include in Operation and Maintenance Expenses the cost of operating, maintaining and repairing Reuse Water Facilities. Funds, if any, received by the Master District for Reuse Water shall be deposited into the General Fund and applied against Operation and Maintenance Expenses. If determined appropriate by the Master District, in light of the benefit to the Service Area, the Master District may provide Reuse Water to a user without charging the user for same. The provisions of this Section 8.6 shall control over any inconsistent provision of this Contract.

Section 8.7: Subject to Section 2.2. The provisions of this Article VIII are subject to Section 2.2.

ARTICLE IX

OPERATION OF MASTER DISTRICT FACILITIES

Section 9.1: Standard of Operation. The Master District shall operate the Master District Facilities that have not been conveyed to MUD No. 1, or cause same to be operated, in accordance with accepted good practices, and may establish reasonable rules and regulations relating to the manner of providing Services to the District. The Master District agrees to use reasonable diligence and care to continually hold itself ready, willing, and able to render Services to the District as provided in this Contract.

Section 9.2: Independent Contractor. The Master District will be an independent contractor in fulfilling all of the obligations under this Contract, and more specifically in performing its obligations under Section 9.1.

Section 9.3: Regulatory Action. The parties recognize that the obligations of the Master District to render Services to the District as provided in this Contract are subject to all present and future Regulatory Requirements, and the parties agree to cooperate to make such applications and to take such action as may be desirable to obtain compliance therewith.

Section 9.4: Maintenance of Master District Facilities. The Master District covenants that it will at all times maintain the Master District Facilities that have not been conveyed to MUD No. 1 or cause the same to be maintained, in good condition and working order and will operate the same, or cause the same to be operated, in an efficient and economical manner, at reasonable cost, and in accordance with sound business principles. In operating and maintaining such Master District Facilities, the Master District will comply with all contractual provisions and agreements entered into by it and with all valid Regulatory Requirements.

Section 9.5: Subject to Section 2.2. The provisions of this Article IX are subject to Section 2.2.

ARTICLE X

DISTRICT'S SANITARY SEWAGE COLLECTION SYSTEM AND WATER DELIVERY SYSTEM

Section 10.1: Construction and Maintenance of District's Sanitary Sewage Collection System, District's Water Delivery System, and District's Storm Sewer System. All plans and specifications for the District's Sanitary Sewage Collection System, the District's Water Delivery System, and the District's Storm Sewer System shall be submitted to the Master District's engineer for a determination of general conformance with the Master District's master plan of the Master District Facilities and the City. The Master District shall either approve or disapprove such plans and specifications within sixty (60) days after receipt. Upon approval by the Master District of the plans and specifications prepared by the District's engineers, the District will, at its sole cost and

expense, acquire, construct, maintain and operate the District's Sanitary Sewage Collection system appropriate for collecting Waste, the District's Water Delivery System appropriate for the delivery of Potable Water (and Reuse Water for non-potable purposes, if approved by the Master District), and the District's Storm Sewer System appropriate for the collection of storm waters. The District's Sanitary Sewage Collection System shall include necessary manholes, cleanouts, lift stations, and other pertinent facilities adequate to take and gather Waste within the boundaries of the District and deliver the same to the designated point of entry into the Master District's Sanitary Sewage Collection System. The District's Water Delivery System shall include necessary and pertinent facilities adequate to take water from the Master District's Water Delivery System at the point of entry and deliver the water to each Residential Connection or Commercial Connection. The District's Storm Sewer System shall include necessary and pertinent facilities to drain storm waters from within the boundaries of the District and deliver the same to the designated points of entry into the Master District's Storm Sewer System. The District's Sanitary Sewage Collection System, the District's Water Delivery System, and the District's Storm Sewer System shall be designed and constructed by the District in accordance with sound engineering principles and in compliance with all applicable requirements of any regulatory authority, including the requirements of Texas law and regulations of the Commission, the City, and the Texas Department of Health as to the design, plans, and specifications. The District will not extend, or permit the extension of any of, the District's Sanitary Sewage Collection System, the District's Storm Sewer Collection System, or the District's Water Delivery System to serve any land or premises beyond its boundaries without the written permission of the Master District. The District shall further operate and maintain the District's Sanitary Sewage Collection System, the District's Storm Sewer System, and the District's Water Delivery System, to the extent (if at all) the District is operating such systems, in good condition and shall promptly repair any leaks or breaks therein and shall undertake such action as may be required to control unreasonable infiltration. If a break or leak occurs which allows abnormal roughage or infiltration or discharge of solid matter or water into the District's Sanitary Sewage Collection System or the District's Water Delivery System and such break or leak is not repaired within ten (10) days after notice by the Master District, then the Master District may, at its option, repair the same and charge the District the actual cost of repairing the same. The District shall require that all connections to the District's Water Delivery System, if the District is operating such system, be metered.

Section 10.2: Plumbing Code. The District and the Master District agree that the establishment of a plumbing code may be a vital part of the proper operation of the Master District's and the District's Sanitary Sewage Collection System, the Waste Disposal System, the Master District's and the District's Water Delivery System, and the Water Supply System. Consequently, the District agrees to adopt a plumbing code at least as equally restrictive to the plumbing code, if any, adopted by the Master District and the City. The District shall require all parties connected to the District's Sanitary

Sewage Collection System and the District's Water Delivery System after the effective date of this Contract to conform fully to the District's plumbing code. The District agrees to serve only those parties which comply with the District's plumbing code, including permit and inspection provisions, and the District agrees to enforce the provisions of this Section by appropriate action.

Section 10.3: Operator. The District and Mater District will each employ an independent contractor to operate and maintain any facilities that they own (that have not been conveyed to MUD No. 1). The District and the Master District recognize that utilizing the same operator for such purpose shall result in a more economical operation and avoid potential conflicts of responsibility. Accordingly, the Master District and the District shall counsel with each other and the other Participants in the selection of operators.

Section 10.4: Subject to Section 2.2. The provisions of this Article X are subject to Section 2.2.

ARTICLE XI

MISCELLANEOUS PROVISIONS

Section 11.1: Term. Unless terminated by mutual agreement of the parties hereto, this Contract shall continue in force and effect for a period of forty (40) years from its date.

Section 11.2: Renewal of Contract. Upon expiration of this Contract, the Master District agrees to contract with the District to continue to provide Services (to the extent then permitted by law) to the District upon the mutual written agreement of the parties.

Section 11.3: Contracts by Master District With Other Participants. The Master District shall have the right to contract with other Participants to render Services and shall have the further right to enlarge the size and the capacity of the Master District Facilities for the use and benefit of any other Participants. Such contracts with other Participants and such enlargements in size and capacity shall be subject to and shall not impair the right of the District to receive Services from the Master District, which are established under this Contract for the number of connections reserved to the District, except with the consent of the District. The Master District agrees that it will contract with all other Participants on substantially the same terms and conditions as are set out in this Contract; provided, however, that the Master District shall not enter into any such contract with a Participant without the consent of all Participants unless such Participant is authorized, by the requisite majority of the voters voting in an election held by such Participant, to levy and collect ad valorem taxes to pay charges due under such contract. Sienna Plantation Municipal Utility District No. 5, in its capacity as Master District, has or will execute a contract with Sienna Plantation Municipal Utility

District No. 5, in its capacity as a Participant, with terms and conditions substantially similar to those set forth in this Contract.

Section 11.4: Approvals by District or Master District. Whenever this Contract requires or permits approvals or consents to be hereafter given by the District or by the Master District, the parties agree that such approval or consent shall not be unreasonably withheld. Such approval or consent may be evidenced by an order or resolution adopted by the governing body or by an appropriate certificate executed by a person, firm or entity authorized to determine and give approval or consent on behalf of the District or the Master District pursuant to an order or resolution adopted by the governing body. Such approval or consent shall be effective without regard to whether given before or after the time required herein and no such approval or consent of the District shall be required as a condition to any action by the Master District except as expressly required in this Contract.

Section 11.5: District's Consent to Sewer and Water Lines. If any sewer or water mains or lines or appurtenances of the Master District should be located on any land now or hereafter owned by the District or in any present or future rights-of-way of the District, the District hereby consents thereto and hereby grants or will grant to the Master District the right, privilege, easement, and right-of-way to use such lands, rights-of-way, or public places for the purpose of maintaining, operating, laying, repairing, and removing such sewer and water mains or lines or appurtenances until termination of this Contract in order for the Master District to comply with the provisions of this Contract, so long as such activities by the Master District do not unduly interfere with the District's own activities.

Section 11.6: Force Majeure. In the event either party is rendered unable, wholly or in part, by force majeure to carry out any of its obligations under this Contract, except the obligation to pay funds required hereunder, then the obligations of such party, to the extent affected by such force majeure and to the extent that due diligence is being used to resume performance at the earliest practicable time, shall be suspended during the continuance of any inability so caused to the extent provided but for no longer period. As soon as reasonably possible after the occurrence of the force majeure relied upon, the party whose contractual obligations are affected thereby shall give notice and full particulars of such force majeure to the other party. Such cause, as far as possible, shall be remedied with all reasonable diligence. The term "force majeure," as used herein, shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, orders of any kind of the government of the United States or the State of Texas or any civil or military authority other than a party to this Contract, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, and any other incapacities of either party, similar to those enumerated, which are not within the control of the party claiming such inability and which such party could not have

avoided by the exercise of due diligence and care. It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demands of the opposing party or parties when such settlement is unfavorable to the party having the difficulty in the judgment of such party.

Section 11.7: Remedies upon Default. It is not intended hereby to specify (and this Contract shall not be considered as specifying) an exclusive remedy for any default, but all remedies, other than termination, existing at law or in equity, including specific performance and mandamus, may be availed of by either party and shall be cumulative; provided, however, that except as otherwise provided in this Contract the manner of proceeding to settle any controversy, claim or dispute arising out of or relating to this Contract, or any breach thereof, shall be by arbitration as provided in Section 11.16 of this Contract.

Section 11.8: No Additional Waiver Implied. No waiver or waivers of any breach or default (or any breaches or defaults) by either party hereto of any term, covenant, condition, or liability hereunder, or of performance by the other party of any duty or obligation hereunder, shall be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, under any circumstances.

Section 11.9: Addresses and Notice. Unless otherwise provided in this Contract, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "notice") herein provided or permitted to be given, made, or accepted by either party to the other must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram, when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated in this Contract, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as shown on the signature page of this Contract. The parties shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other party.

Section 11.10: Modification. This Contract shall be subject to change or modification only with the mutual written consent of the governing bodies of each of the parties hereto; provided, however, except as provided in Section 11.17, no major substantive change in terms and conditions shall be made without the approval of all

Participants. Any modification or amendment of this Contract in accordance with this Section 11.10, except as provided in Section 3.1, may be made without voter approval.

Section 11.11: Assignability. This Contract shall not be assignable by the Master District without the prior written consent of the Board of Directors of the District except: (i) the same may be assigned to a Trustee for the Master District's Bonds, and (ii) as the Master District may pledge the payments to be received from the District hereunder to pay debt service on the Master District's Bonds.

Section 11.12: Parties in Interest. This Contract shall be for the sole and exclusive benefit of the Master District, the District, the Participants, and the owners or holders of the Master District's Bonds issued hereunder from time to time and shall not be construed to confer any benefit or right upon any other persons or entities, or residents or customers of any of the Participants.

Section 11.13: Severability. The provisions of this Contract are severable, and if any word, phrase, clause, sentence, paragraph, section, or other part of this Contract or the application thereof to any person or circumstance shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Contract and the application of such word, phrase, clause, sentence, paragraph, section, or other part of this Contract to other persons or circumstances shall not be affected thereby.

Section 11.14: Master District as Participant. In addition to its rights and obligations as Master District under this Contract, the Master District shall also have all of the rights and obligations of a Participant. Accordingly, the Master District will construct and/or acquire water delivery, waste collection, and storm water collection facilities to serve connections within the Master District from its own funds and such facilities shall not be Master District Facilities. After such construction and/or acquisition, the Master District will discharge Waste into and receive Potable Water (and potentially Reuse Water for non-potable purposes) from the Master District Facilities on the same basis as other Participants, including the District. The Master District covenants and agrees that it will operate and maintain its facilities (if such facilities are not conveyed to MUD No. 1) and otherwise conduct itself with regard to the Master District Facilities as if it were a regular Participant.

Section 11.15: Sale or Encumbrance of Master District Facilities. The Master District will not sell, dispose of, or encumber any of the Master District Facilities except: (i) for conveyances of the MUD No. 1 Facilities to MUD No. 1, and (ii) as permitted in Article III or in resolutions authorizing the issuance of its bonds to finance the Master District Facilities; provided, however, that this provision shall not prevent the Master District from disposing of any portion of the Master District Facilities which has been declared surplus or is no longer needed or useful for the proper operation of the Master District Facilities. Any monies received from the sale of surplus properties may be used

for the replacement of the properties sold. Unless it is so used, it shall be deposited in the Water, Sewer, and Drainage Construction Fund, the Road Construction Fund, or the Park Construction Fund, as appropriate. Issuance of bonds, or contracts payable from the General Fund, the Water, Sewer, and Drainage Construction Fund, the Road Construction Fund, or the Park Construction Fund, or an agreement wherein the Master District employs any person to operate the Master District Facilities, shall not be considered an encumbrance of the Master District Facilities.

Section 11.16: Arbitration. Except as otherwise provided in this Contract, any controversy, dispute, or claim arising out of or relating to this Contract, or any breach thereof, shall be settled by arbitration in accordance with the Commercial Rules of Arbitration of the American Arbitration Association; provided, however, that the arbitrator to whom any controversy, which is subject to arbitration under the terms of this Contract, shall be submitted in accordance with the provisions hereof, shall have jurisdiction and authority to interpret and apply the applicable provisions of this Contract in accordance with the laws of the State of Texas. Such application or interpretation of the provisions of this Contract must be in accordance with the spirit and letter of this Contract. No arbitrator shall have the jurisdiction or authority to add to, take from, nullify, or modify any of the terms of this Contract directly or indirectly, under the guise of interpretation. The arbitrator shall be bound by the facts and evidence submitted to him in the hearing and may not go beyond the terms of this Contract in rendering his award. It is further understood and agreed that the power of the arbitrator shall be strictly limited to determining the meaning and interpretation of the explicit terms of this Contract as herein expressly set forth and that no arbitrator shall have the power to base any award on any alleged practices or oral understandings not incorporated herein. Any award rendered in arbitration proceedings under this Contract shall be subject to judicial review at the insistence of either party for the purpose of determining whether the arbitrator exceeded his power as herein limited, and neither party shall be deemed to have waived its right to such review by proceeding to arbitration. Within his power as herein limited, the arbitrator may enter an award based upon any remedy available to the parties as provided in Section 11.7 of this Contract. Judgment upon the award may be entered in any court having jurisdiction thereof. Any such arbitration proceeding shall be held at the principal offices of the Master District, or such other place in Fort Bend County or Harris County as is designated by the Master District, and any expenses incurred by the Master District in connection with any such arbitration proceeding shall constitute an Operation and Maintenance Expense. The provisions of this section are subject to and shall not be considered as attempting to exclude the jurisdiction of the Commission or any other governmental regulatory authority to arbitrate or settle disputes, hold hearings or enter orders relating to the subject matter of this Contract.

Section 11.17: Modification to Service Area. The Service Area may not be modified to decrease in size unless approved by the District and all Participants and the

City and, if the Master District has issued bonds, the approval of the bondholders if required pursuant to the terms of the Master District Bonds. The Service Area may be enlarged upon the approval of all Participants and the City.

Section 11.18: Merger. This Contract, together with the exhibits attached hereto and made a part hereof for all purposes, constitutes the entire agreement by and between the parties relative to the subject matter hereof and there are no prior effective agreements, whether written or oral.

[EXECUTION PAGE FOLLOWS]

EXECUTED and EFFECTIVE this 13th day of May, 2013.

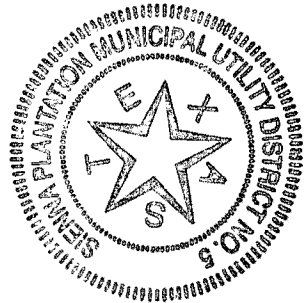
SIENNA PLANTATION MUNICIPAL
UTILITY DISTRICT NO. 5

By: [Signature]
President, Board of Directors

ATTEST:

By: [Signature]
Secretary, Board of Directors

(SEAL)



Address:

c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

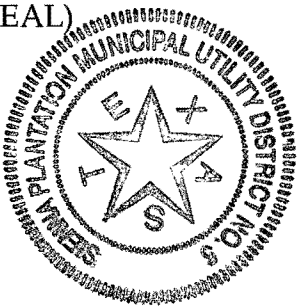
SIENNA PLANTATION MUNICIPAL
UTILITY DISTRICT NO. 5

By: [Signature]
President, Board of Directors

ATTEST:

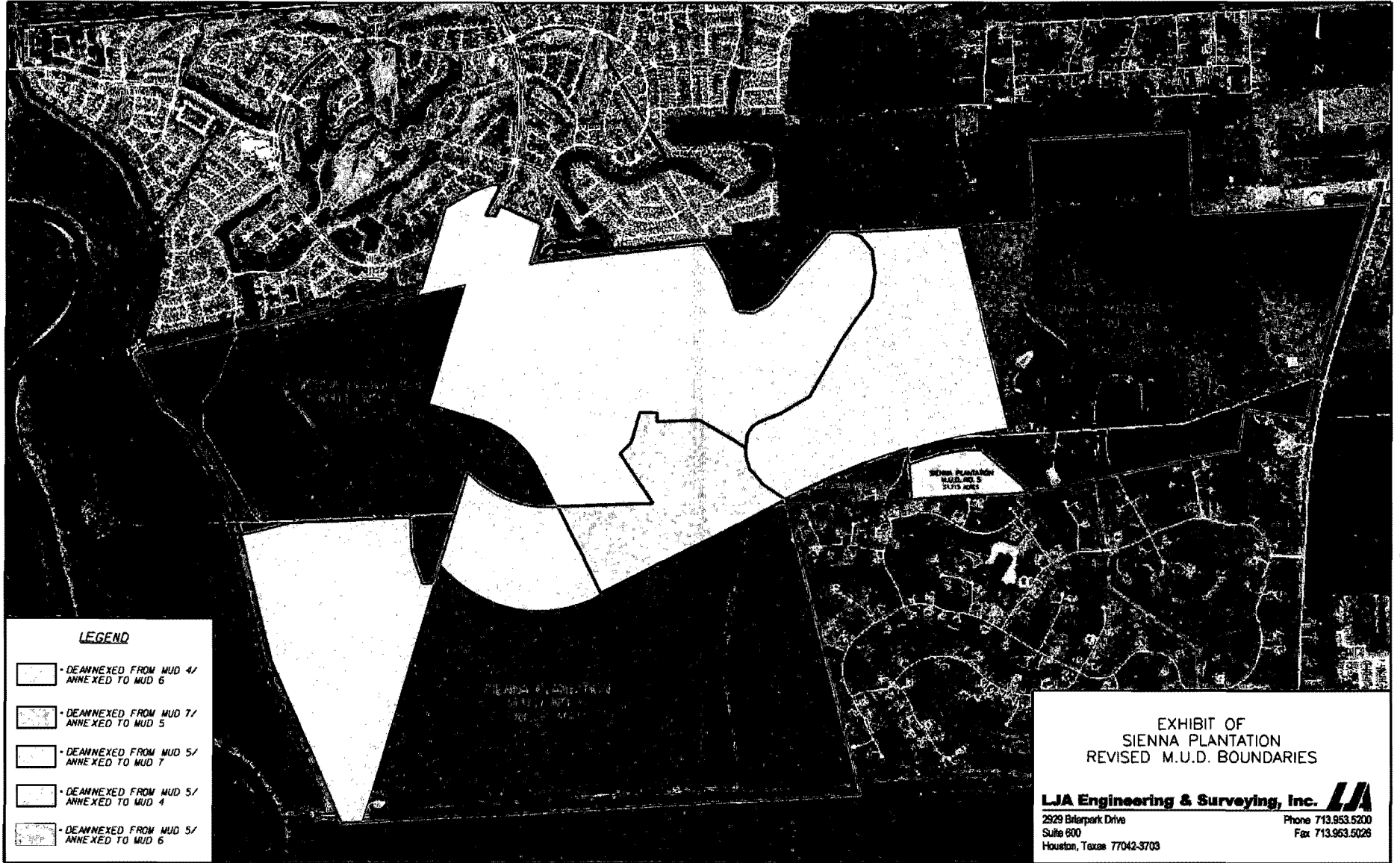
By: [Signature]
Secretary, Board of Directors

(SEAL)



Address:

c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027



LEGEND







-  - DEANNEXED FROM MUD 4/
ANNEXED TO MUD 6
-  - DEANNEXED FROM MUD 7/
ANNEXED TO MUD 5
-  - DEANNEXED FROM MUD 5/
ANNEXED TO MUD 7
-  - DEANNEXED FROM MUD 5/
ANNEXED TO MUD 4
-  - DEANNEXED FROM MUD 5/
ANNEXED TO MUD 6

EXHIBIT OF
SIENNA PLANTATION
REVISED M.U.D. BOUNDARIES

LJA Engineering & Surveying, Inc. 
2929 Biterpark Drive Phone 713.953.5200
Suite 600 Houston, Texas 77042-3703 Fax 713.953.5026

APPENDIX D
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN