

OFFICIAL STATEMENT DATED SEPTEMBER 19, 2023

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; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. 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"  
Moody's Investors Service, Inc. (Underlying) ..... "Baa3"

SIENNA MUNICIPAL UTILITY DISTRICT NO. 6

(A political subdivision of the State of Texas, located within Fort Bend County, Texas)

\$10,420,000  
Unlimited Tax Bonds  
Series 2023

\$4,845,000  
Unlimited Tax Road Bonds  
Series 2023

Dated: October 1, 2023

Due: September 1, as shown on the inside cover

The \$10,420,000 Sienna Municipal Utility District No. 6 Unlimited Tax Bonds, Series 2023 (the "System Bonds") and the \$4,845,000 Sienna Municipal Utility District No. 6 Unlimited Tax Road Bonds, Series 2023 (the "Road Bonds," and together with the System Bonds, the "Bonds") are obligations of Sienna Municipal Utility District No. 6 (the "District") and are not obligations of the State of Texas; Fort Bend County, Texas; the City of Missouri City, Texas; or any entity other than the District.

The Bonds are dated October 1, 2023, and mature on September 1 in the years and in the principal amounts shown on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about October 18, 2023), at the rates set forth on the inside cover, and is payable March 1, 2024, and each September 1 and March 1 thereafter (the "Interest Payment Date") until the earlier of stated maturity or prior redemption. Principal of the Bonds is payable to the registered owners of the Bonds (the "Registered Owners") at BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment at the stated maturity or upon prior redemption. Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, interest on the Bonds is dated as of the Interest Payment Date and payable to each Registered Owner, as shown on the records of the Paying Agent/Registrar on the close of business on the 15<sup>th</sup> day of the calendar month next preceding each Interest Payment Date. The Bonds will be issued only in fully registered form in the denomination of \$5,000 of principal amount, or any integral multiple thereof.

The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of Payment."

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, 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 discussed under "THE BONDS – Book-Entry-Only System."

See "MATURITIES, PRINCIPAL AMOUNTS, 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 ("BAM").



The System Bonds constitute the third series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a waterworks, wastewater, and storm drainage system to serve the District (the "Utility System") and the Road Bonds constitute the fourth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a road system to serve the District (the "Road System"). Voters in the District have authorized a total of \$347,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for the purpose of refunding such bonds, and a total of \$199,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for the purpose of refunding such bonds. Additionally, voters in the District have authorized a total of \$78,800,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing park and recreational facilities to serve the District, and for the purpose of refunding such bonds. Following the issuance of the Bonds, \$317,990,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for the purpose of refunding such bonds; \$173,600,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for the purpose of refunding such bonds; and \$78,800,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing park and recreational facilities to serve the District, and for the purpose of refunding such bonds, will remain authorized and unissued.

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS AS DISCUSSED UNDER "INVESTMENT CONSIDERATIONS."

The Bonds are offered subject to prior sale, when, as, and if issued by the District and accepted by the Initial Purchasers (herein defined), subject to the approval of the Attorney General of Texas and Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about October 18, 2023.

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

**\$10,420,000 Sienna Municipal Utility District No. 6 Unlimited Tax Bonds, Series 2023  
\$4,690,000 Serial Bonds**

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 82622N (b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 82622N (b)
2035 (c)	\$ 375,000	4.000%	4.200%	EM3	2040 (c)	\$ 475,000	4.500%	4.650%	ES0
2036 (c)	395,000	4.000%	4.300%	EN1	2041 (c)	500,000	4.500%	4.700%	ET8
2037 (c)	415,000	4.250%	4.400%	EP6	2042 (c)	520,000	4.500%	4.750%	EU5
2038 (c)	435,000	4.250%	4.500%	EQ4	2043 (c)	545,000	4.500%	4.780%	EV3
2039 (c)	455,000	4.375%	4.600%	ER2	2044 (c)	575,000	4.625%	4.800%	EW1

**\$5,730,000 Term Bonds**

\$1,500,000 Term Bond Due September 1, 2029 (d), Interest Rate: 6.500% (Price: \$107.959) (a), CUSIP No. 82622N EF8 (b)  
 \$1,650,000 Term Bond Due September 1, 2034 (c)(d), Interest Rate: 5.000% (Price: \$104.380) (a), CUSIP No. 82622N EL5 (b)  
 \$1,230,000 Term Bond Due September 1, 2046 (c)(d), Interest Rate: 4.750% (Price: \$98.757) (a), CUSIP No. 82622N EY7 (b)  
 \$1,350,000 Term Bond Due September 1, 2048 (c)(d), Interest Rate: 4.750% (Price: \$98.558) (a), CUSIP No. 82622N FA8 (b)

**\$4,845,000 Sienna Municipal Utility District No. 6 Unlimited Tax Road Bonds, Series 2023  
\$1,940,000 Serial Bonds**

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 82622N (b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 82622N (b)
2024	\$ 95,000	6.500%	4.000%	FB6	2032 (c)	\$ 155,000	4.000%	4.100%	FK6
2025	110,000	6.500%	3.900%	FC4	2033 (c)	160,000	4.000%	4.150%	FL4
2026	115,000	6.500%	3.850%	FD2	2034 (c)	170,000	4.125%	4.200%	FM2
2027	120,000	6.500%	3.850%	FE0	2035 (c)	175,000	4.250%	4.300%	FN0
2028	125,000	6.500%	3.850%	FF7	2036 (c)	185,000	4.250%	4.400%	FP5
2029	135,000	6.500%	3.900%	FG5	2037 (c)	195,000	4.250%	4.500%	FQ3
***	***	***	***	***	2038 (c)	200,000	4.500%	4.550%	FR1

**\$2,905,000 Term Bonds**

\$285,000 Term Bond Due September 1, 2031 (c)(d), Interest Rate: 4.000% (Price: \$100.000) (a), CUSIP No. 82622N FJ9 (b)  
 \$430,000 Term Bond Due September 1, 2040 (c)(d), Interest Rate: 4.500% (Price: \$98.830) (a), CUSIP No. 82622N FT7 (b)  
 \$475,000 Term Bond Due September 1, 2042 (c)(d), Interest Rate: 4.500% (Price: \$97.510) (a), CUSIP No. 82622N FV2 (b)  
 \$520,000 Term Bond Due September 1, 2044 (c)(d), Interest Rate: 4.500% (Price: \$96.707) (a), CUSIP No. 82622N FX8 (b)  
 \$570,000 Term Bond Due September 1, 2046 (c)(d), Interest Rate: 4.750% (Price: \$99.304) (a), CUSIP No. 82622N FZ3 (b)  
 \$625,000 Term Bond Due September 1, 2048 (c)(d), Interest Rate: 4.750% (Price: \$98.558) (a), CUSIP No. 82622N GB5 (b)

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchasers. 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.
- (b) CUSIP numbers have been assigned to this issue by the CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds.
- (c) The Bonds maturing on September 1, 2030, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*."
- (d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth 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 herein, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Initial Purchasers.

All of the summaries of the statutes, resolutions, orders, contracts, audits, and engineering and other related reports set forth herein 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.

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 C."

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

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

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## **SALE AND DISTRIBUTION OF THE BONDS**

### **Award of the Bonds**

After requesting competitive bids for the System Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "System Bond Initial Purchaser") to purchase the System Bonds bearing the interest rates shown on the inside cover under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" at a price of 97.473566% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 4.828376%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

After requesting competitive bids for the Road Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by RBC Capital Markets, LLC (the "Road Bond Initial Purchaser," and together with the System Bond Initial Purchaser, the "Initial Purchasers") to purchase the Road Bonds bearing the interest rates shown on the inside cover under "MATURITIES, PRINCIPAL AMOUNTS, 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 4.790812%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

### **Prices and Marketability**

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

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchasers 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 District has no understanding with the Initial Purchasers regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchasers.

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 Purchasers 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 PURCHASERS 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 Securities and Exchange Commission (the "SEC") under the Securities Act of 1933 in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

### **Delivery of Official Statements**

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

## MUNICIPAL BOND INSURANCE

### Bond Insurance Policy

Concurrently with the issuance of the Bonds, BAM will issue a separate Municipal Bond Insurance Policy for each series of 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 C."

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 municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

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

### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2023, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$486.0 million, \$204.5 million, and \$281.5 million, respectively.

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

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

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under "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 [www.buildamerica.com/videos](http://www.buildamerica.com/videos). (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 [www.buildamerica.com/credit-profiles](http://www.buildamerica.com/credit-profiles). 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 will receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the Policy. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

Moody's Investors Service, Inc. ("Moody's") assigned an underlying rating of "Baa3" to the Bonds. An explanation of the ratings of Moody's may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. The ratings express only the view of Moody's at the time the ratings are given. A security rating is not a recommendation to buy, sell, or hold securities. Furthermore, 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 Moody's, if, in its judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned to the Bonds other than the ratings discussed above.

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## OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere herein. 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 this entire Official Statement and of the documents summarized or discussed herein.

### THE BONDS

The Issuer .....	Sienna Municipal Utility District No. 6 (the "District"), a political subdivision of the State of Texas ("Texas"), is located in Fort Bend County, Texas (the "County"). See "THE DISTRICT."
The Issue .....	The \$10,420,000 Sienna Municipal Utility District No. 6 Unlimited Tax Bonds, Series 2023 (the "System Bonds") and the \$4,845,000 Sienna Municipal Utility District No. 6 Unlimited Tax Road Bonds, Series 2023 (the "Road Bonds," and together with the System Bonds, the "Bonds") are dated October 1, 2023, and mature on September 1 in the years and in the principal amounts shown on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about October 18, 2023), at the rates set forth on the inside cover, and is payable March 1, 2024, and each September 1 and March 1 thereafter until the earlier of stated maturity or prior redemption. See "THE BONDS."
Redemption of the Bonds.....	<p>The Bonds maturing on September 1, 2030, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – <i>Optional Redemption</i>."</p> <p>The System Bonds mature serially on September 1, in each year 2035 through 2044, both inclusive. The System Bonds maturing on September 1 in the years 2029, 2034, 2046, and 2048 are term bonds that are also subject to mandatory redemption provisions set out under "THE BONDS – Redemption of the Bonds – <i>Mandatory Redemption</i>."</p> <p>The Road Bonds mature serially on September 1, in each year 2024 through 2029, both inclusive, and 2032 through 2038, both inclusive. The Road Bonds maturing on September 1 in the years 2031, 2040, 2042, 2044, 2046, and 2048 are term bonds that are also subject to mandatory redemption provisions set out under "THE BONDS – Redemption of the Bonds – <i>Mandatory Redemption</i>."</p>
Source of Payment.....	The Bonds are payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of Texas; the County; the City of Missouri City, Texas (the "City"); or any entity other than the District. See "THE BONDS – Source of Payment."
Payment Record .....	The District has never defaulted on the timely payment of principal or interest on its bonded indebtedness.
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 discussed herein. 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 of the Bonds. Principal of and interest on the Bonds will be payable by the office of the paying agent/registrars, initially BOKF, NA, Dallas, Texas, 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."
Authority for Issuance.....	The System Bonds constitute the third series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a waterworks,



wastewater, and storm drainage system to serve the District (the "Utility System") and the Road Bonds constitute the fourth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a road system to serve the District (the "Road System"). Voters in the District have authorized a total of \$347,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for the purpose of refunding such bonds, and a total of \$199,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for the purpose of refunding such bonds. Additionally, voters in the District have authorized a total of \$78,800,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing park and recreational facilities to serve the District, and for the purpose of refunding such bonds. Following the issuance of the Bonds, \$317,990,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for the purpose of refunding such bonds; \$173,600,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for the purpose of refunding such bonds; and \$78,800,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing park and recreational facilities to serve the District, and for the purpose of refunding such bonds, will remain authorized and unissued.

The System Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"); a resolution of the Board of Directors of the District (the "Board") authorizing the issuance of the System Bonds (the "System Bond Resolution"); Article XVI, Section 59 of the Texas Constitution; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code; and an election held within the District on November 3, 2009.

The Road Bonds are issued pursuant to a resolution of the Board authorizing the issuance of the Road Bonds (the "Road Bond Resolution"); Article III, Section 52 of the Texas Constitution; Chapter 8322 of the Special District Local Laws Code; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code; and an election held within the District on November 3, 2009. See "THE BONDS – Authority for Issuance" and "THE BONDS – Issuance of Additional Debt."

Use and Distribution of System Bond

Proceeds.....Proceeds from the sale of the System Bonds will be used to reimburse the Developer (herein defined) for the improvements and related costs shown under "THE BONDS – Use and Distribution of System Bond Proceeds." Additionally, proceeds from the sale of the System Bonds will be used to pay: six (6) months of capitalized interest; developer interest; operating advances; and certain other costs associated with the issuance of the System Bonds. See "THE BONDS – Use and Distribution of System Bond Proceeds."

Use and Distribution of Road Bond

Proceeds.....Proceeds from the sale of the Road Bonds will be used to reimburse the Developer for the improvements and related costs shown under "THE BONDS – Use and Distribution of Road Bond Proceeds." Additionally, proceeds from the sale of the Road Bonds will be used to pay developer interest and certain other costs associated with the issuance of the Road Bonds. See "THE BONDS – Use and Distribution of Road Bond Proceeds."

Outstanding Bonds.....

The District has previously issued the: \$5,500,000 Sienna Municipal Utility District No. 6 Unlimited Tax Road Bonds, Series 2020; \$3,800,000 Sienna Municipal Utility District No. 6 Unlimited Tax Bonds, Series 2021; \$2,670,000 Sienna Municipal Utility District No. 6 Unlimited Tax Road Bonds, Series 2021; \$14,790,000 Sienna Municipal Utility District No. 6 Unlimited Tax Bonds, Series 2022; and \$12,885,000 Sienna Municipal Utility District No. 6 Unlimited Tax Road Bonds, Series 2022. At the delivery of the Bonds, \$39,135,000 principal amount of such previously issued debt will remain outstanding (the "Outstanding Bonds").

Municipal Bond Insurance.....	Build America Mutual Assurance Company (“BAM”). See “MUNICIPAL BOND INSURANCE.”
Ratings .....	S&P Global Ratings (BAM Insured): “AA.” Moody’s Investors Service, Inc. (Underlying): “Baa3.” See “RATINGS.”
NOT Qualified Tax-Exempt Obligations.....	The Bonds are NOT “qualified tax-exempt obligations” for financial institutions.
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.
Engineer .....	LJA, Inc., Houston, Texas.
Paying Agent/Registrar .....	BOKF, NA, Dallas, Texas.

**THE DISTRICT**

Description.....The District was created by the TCEQ on March 13, 1997, and operates pursuant to the general laws of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code; Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution; and Chapter 8322 of the Special District Local Laws Code. The District was originally named “Sienna Plantation Municipal Utility District No. 6” and was officially renamed “Sienna Municipal Utility District No. 6” by order of the TCEQ, dated October 7, 2020. The District encompasses approximately 1,300 acres. The District is located in the southeast part of the County, approximately 24 miles southwest of the downtown of the City of Houston, Texas. The District is approximately four (4) miles south of the intersection of the Fort Bend Parkway Toll Road and Sienna Parkway; approximately 11 miles southeast of the intersection of Texas State Highway 6 and U.S. Highway 59; and approximately five (5) miles south of the intersection of Texas State Highway 6 and Sienna Parkway. The Brazos River and Flat Bank Creek diversion channel border the District on the west. The District is south of Sienna Municipal Utility District No. 4 (“SMUD4”). The District is situated entirely within the boundaries of both Fort Bend Independent School District and SPLID (herein defined). The District also lies wholly within the extraterritorial jurisdiction of the City.

The District, the Master District (herein defined), SMUD4, and Sienna Municipal Utility District No. 7 are collectively referred to herein as the “Participants,” and collectively comprise of the area referred to herein as the “Service Area,” which is part of Sienna (herein defined) and consists of approximately 3,424 acres. SPLID provides major outfall drainage and flood protection for the District. See “THE DISTRICT.”

Sienna .....In December 2013, the Developer purchased approximately 3,800 acres within the southern region of the approximately 10,230-acre master planned community known as “Sienna.” The Developer’s property (the “Toll Brothers Development”) encompasses the Service Area, which includes the District. An affiliate of JDC (herein defined) has been hired as fee developer for the Developer. Development and homebuilding are currently underway in the Toll Brothers Development.

In addition to the Toll Brothers Development, JDC, through several partnerships, has acquired and developed approximately 4,500 acres within the northern region of Sienna. This area includes four (4) internal municipal utility districts and a management district, as well as an approximate 214-acre rural estate subdivision known as The Woods at Sienna. See “SIENNA – Description of the Project.”

Development Agreement.....The Developer has entered into a Sienna Plantation Joint Development Agreement with the City, as amended by the Eighth Amendment (herein defined) (collectively, the “Development Agreement”), pursuant to which the City stipulates its regulatory authority over the development of the

Service Area (which includes the District), establishes certain restrictions and commitments related to the development of the Service Area, sets forth a formula for determining the timing of annexation of land within the Service Area by the City, and identifies and establishes a master plan for the development of the Service Area. The development of all land within the Service Area is governed by the provisions of the Development Agreement. See “SIENNA – Development Agreement.”

Development Within the District .....To date, approximately 700.6 acres (1,940 lots) within the District have been developed as the single-family residential subdivision of Sienna, Sections 14, 27, 28, 29A, 29B, 30, 31, 32A/32B, 33A, 33B, 33C, 33D, 34A, 34B, 35A, 36, 37, 38, 39A, 39B, 40A, 40B, 41, 42, 43, 44, 46, 48, 49, 52, 53, 55, 57, 64, and 66. As of August 1, 2023, 1,116 homes were complete (1,050 occupied, 35 unoccupied, and 31 models), 310 homes were under construction, and 514 lots were developed and vacant. Approximately 74.6 acres (108 lots) are currently under development as the single-family residential subdivision of Sienna, Sections 62 and 67. In addition, approximately 15.0 acres have been developed as Leonetti Elementary School; approximately 32.0 acres have been developed as Ronald Thornton Middle School; approximately 1.7 acres have been developed as Montessori School; and approximately 10.1 acres have been developed as a regional wastewater treatment plant owned and operated by SRMUD (herein defined). The remaining land within the District includes approximately 409.3 undeveloped but developable acres and approximately 57.1 undevelopable acres.

The Developer .....The primary developer of land within the Service Area, which includes the District, is Toll-GTIS Property Owner, LLC (the “Developer”). Johnson SS Management LLC, an affiliate of Johnson Development Corp. (“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 Active Within the District.....Homebuilders active within the District include Toll Brothers; Jamestown Estate Homes; Westin Homes; Shea Homes; Weekley Homes; Tri Pointe Homes; Highland Homes; Perry Homes; Newmark Homes; Chesmar Homes; J. Patrick Homes; Beazer Homes; and MHI. Prices of new homes being constructed within the District range in price from approximately \$300,000 to over \$900,000, and in size from approximately 1,500 square feet to over 6,000 square feet.

Master District Facilities .....Sienna Municipal Utility District No. 5 (the “Master District”), in its capacity as the provider of regional water, wastewater, drainage facilities (the “Master District System Facilities”); regional arterial, collector, and thoroughfare roads and improvements in aid thereof (the “Master District Road Facilities”); park and recreational facilities; and firefighting facilities necessary to serve the Service Area, which includes the District (collectively referred to herein as the “Master District Facilities”), will construct the Master District Facilities and provide services from those Master District Facilities. Each Participant, including the District, 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 issued by the Master District. The Master District intends to issue \$9,420,000 principal amount of contract revenue bonds for Master District System Facilities and \$8,760,000 principal amount of contract revenue bonds for Master District Road Facilities in October 2023. At the delivery of the Bonds, the Master District will have \$60,215,000 principal amount of contract revenue bonds outstanding (exclusive of the anticipated bond issues). The Master District also contracts with Sienna Regional Municipal Utility District (“SRMUD”) for water supply and wastewater treatment services. SRMUD has issued contract revenue bonds for a permanent wastewater treatment plant to serve land in the Service Area. The payments to SRMUD are part of the contract payments to the Master District. See “MASTER DISTRICT CONTRACT.”

Strategic Partnership Agreement .....The District has entered into a strategic partnership agreement with the City (the "Agreement"). The Agreement provides, among other things, the terms under which the City can annex or dissolve the District. The City may annex the District but also may maintain the District for limited purposes. Once the District is dissolved, the Bonds and the Outstanding Bonds become obligations of the City. See "THE BONDS – Annexation by the City."

Flood Protection System and  
Overlapping Districts and Taxes .....Sienna Parks & Levee Improvement District of Fort Bend County, Texas ("SPLID"), is the levee improvement district created to provide the levee, detention ponds, external drainage channel, and various interior drainage channels necessary to serve Sienna. SPLID comprises approximately 9,832 acres, of which approximately 8,520 acres are within Sienna (including the Service Area, which includes the District). SPLID intends to finance facilities to accomplish flood protection and accommodate stormwater drainage within SPLID. SPLID currently levies a tax on property located within its boundaries, which is in addition to the tax levied by the District. For the 2023 tax year, SPLID anticipates to levy a total tax rate of \$0.4125 per \$100 of assessed valuation. As of August 1, 2023, SPLID had \$177,240,000 principal amount of unlimited tax bonds outstanding. See "TAX DATA – Estimated Overlapping Taxes," "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments," and "THE FLOOD PROTECTION SYSTEM."

**INVESTMENT CONSIDERATIONS**

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

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**SELECTED FINANCIAL INFORMATION**

**(UNAUDITED)**

2023 Assessed Valuation .....	\$ 541,681,009	(a)
(100% of the market valuation as of January 1, 2023)		
Estimated Assessed Valuation as of August 1, 2023.....	\$ 576,922,111	(b)
(100% of the estimated market valuation as of August 1, 2023)		
Direct Debt:		
The Outstanding Bonds (at the Delivery of the Bonds).....	\$ 39,135,000	
The System Bonds .....	\$ 10,420,000	
The Road Bonds.....	\$ 4,845,000	
Total .....	\$ 54,400,000	
Estimated Overlapping Debt .....	\$ 63,134,264	(c)
Total Direct and Estimated Overlapping Debt.....	\$ 117,534,264	(c)
Direct Debt Ratios:		
As a Percentage of the 2023 Assessed Valuation .....	10.04	%
As a Percentage of the Estimated Assessed Valuation as of August 1, 2023.....	9.43	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of the 2023 Assessed Valuation .....	21.70	%
As a Percentage of the Estimated Assessed Valuation as of August 1, 2023.....	20.37	%
Utility System Debt Service Fund Balance (as of August 15, 2023) .....	\$ 1,073,522	(d)
Road System Debt Service Fund Balance (as of August 15, 2023) .....	\$ 1,186,363	(e)
Contract Tax Fund Balance (as of August 15, 2023).....	\$ 28,708	(f)
Utility System Capital Projects Fund Balance (as of August 15, 2023).....	\$ -	
Road System Capital Projects Fund Balance (as of August 15, 2023).....	\$ 33,054	
General Operating Fund Balance (as of August 15, 2023).....	\$ 746,158	

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- (a) Represents the assessed valuation of all taxable property located within the District as of January 1, 2023, as provided by the Fort Bend Central Appraisal District (the "Appraisal District"). Such amount includes \$19,175,474 of assessed valuation assigned to properties that remain under review by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board"). Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board, upon which the District will levy its tax. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this amount represents an estimate of all taxable property located within the District as of August 1, 2023, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2023, through August 1, 2023. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
- (d) Neither Texas law nor the System Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund (herein defined). Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the Road System, including the Road Bonds. Six (6) months of capitalized interest will be deposited into the Utility System Debt Service Fund upon closing of the System Bonds.
- (e) Neither Texas law nor the Road Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund (herein defined). Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the Utility System, including the System Bonds.
- (f) See "TAX DATA - Contract Tax."

**SELECTED FINANCIAL INFORMATION**

**(UNAUDITED)**

2022 Tax Rate per \$100 of Assessed Valuation:		
Debt Service.....		\$ 0.680 (a)
Maintenance and Operations.....		\$ 0.040
Contract.....		<u>\$ 0.330</u> (b)
Total.....		\$ 1.050
Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2024–2048).....		
	\$	3,508,121 (c)
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2043).....		
	\$	3,688,481 (c)
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2024–2048) at 95% Collections:		
Based on the 2023 Assessed Valuation.....	\$	0.69
Based on the Estimated Assessed Valuation as of August 1, 2023.....	\$	0.65
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2043) at 95% Collections:		
Based on the 2023 Assessed Valuation.....	\$	0.72
Based on the Estimated Assessed Valuation as of August 1, 2023.....	\$	0.68
Single-Family Homes as of August 1, 2023.....		1,116 (d)

- 
- (a) The debt service tax rate is composed of a \$0.320 tax rate for payment of debt service on bonds issued for the Utility System and a \$0.360 tax rate for payment of debt service on bonds issued for the Road System. The District is authorized to levy separate taxes to pay debt service for bonds issued for the Utility System and to pay debt service for bonds issued for the Road System; both such taxes are unlimited as to rate or amount. See "TAX DATA – Tax Rate Distribution."
  - (b) The contract tax rate is composed of payments to the Master District for the District's share of debt service for Master District bonds issued for Master District Facilities, including payments to SRMUD for bonds issued for the permanent wastewater treatment plant. See "MASTER DISTRICT CONTRACT."
  - (c) See "DISTRICT DEBT – Debt Service Requirement Schedule."
  - (d) Includes 1,050 complete and occupied homes, 35 complete and unoccupied homes, and 31 model homes. See "DEVELOPMENT WITHIN THE DISTRICT."

**SIENNA MUNICIPAL UTILITY DISTRICT NO. 6**

(A political subdivision of the State of Texas, located within Fort Bend County, Texas)

**\$10,420,000**  
**Unlimited Tax Bonds**  
**Series 2023**

**\$4,845,000**  
**Unlimited Tax Road Bonds**  
**Series 2023**

**INTRODUCTION**

This Official Statement of Sienna Municipal Utility District No. 6 (the "District") is provided to furnish information with respect to the issuance of the \$10,420,000 Sienna Municipal Utility District No. 6 Unlimited Tax Bonds, Series 2023 (the "System Bonds") and the \$4,845,000 Sienna Municipal Utility District No. 6 Unlimited Tax Road Bonds, Series 2023 (the "Road Bonds," and together with the System Bonds, the "Bonds").

The System Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"); a resolution of the Board of Directors of the District (the "Board") authorizing the issuance of the System Bonds (the "System Bond Resolution"); Article XVI, Section 59 of the Texas Constitution; the general laws of the State of Texas ("Texas"), including Chapters 49 and 54 of the Texas Water Code; and an election held within the District on November 3, 2009.

The Road Bonds are issued pursuant to a resolution of the Board authorizing the issuance of the Road Bonds (the "Road Bond Resolution," and together with the System Bond Resolution, the "Bond Resolutions"); Article III, Section 52 of the Texas Constitution; Chapter 8322 of the Special District Local Laws Code; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code; and an election held within the District on November 3, 2009.

There follows herein descriptions of the Bonds, the Developer (herein defined), the Bond Resolutions, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel (herein defined) at 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of the costs of duplication thereof. Certain capitalized terms used herein have the same meanings assigned to such terms in the Bond Resolutions, except as otherwise indicated herein.

**THE BONDS**

**General**

The following is a description of some of the terms and conditions of the Bonds, which is qualified in its entirety by reference to the Bond Resolutions adopted by the Board. A copy of the Bond Resolutions may be obtained from the District upon written request made to Bond Counsel at 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

The Bonds are dated October 1, 2023, and mature on September 1 in the years and in the principal amounts shown on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about October 18, 2023), at the rates set forth on the inside cover, and is payable March 1, 2024, and each September 1 and March 1 thereafter (the "Interest Payment Date") until the earlier of stated maturity or prior redemption. Principal of the Bonds is payable to the Registered Owners (herein defined) at the principal office of the Paying Agent/Registrar (herein defined) upon surrender of the Bonds for payment at the stated maturity or upon prior redemption. Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, interest on the Bonds is dated as of the Interest Payment Date and payable to each Registered Owner, as shown on the records of the Paying Agent/Registrar on the close of business on the 15<sup>th</sup> day of the calendar month next preceding each Interest Payment Date (the "Record Date"). The Bonds will be issued only in fully registered form in the denomination of \$5,000 of principal amount, or any integral multiple thereof.

**Paying Agent/Registrar**

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

**Book-Entry-Only System**

*This section describes how ownership of the Bonds is to be transferred and how 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 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 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 discussed herein. 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 (1) 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](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The 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-Only System 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 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 Participant and not of DTC, Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, 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 District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the 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 the Book-Entry-Only System has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections herein 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-Only System, and (ii) except as described above, notices that are to be given to Registered Owners under the Bond Resolutions will be given only to DTC.

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

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar. 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 offices 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 (1) maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning 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 30 calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

#### **Mutilated, Lost, Stolen, or Destroyed Bonds**

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

#### **Redemption of the Bonds**

##### *Optional Redemption*

The Bonds maturing on September 1, 2030, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given by the Paying Agent/Registrar at least 30 days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than

all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds 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 (1) 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 September 1 in the years 2029, 2034, 2046, and 2048 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 schedule:

\$1,500,000 System Term Bond Maturing on September 1, 2029

Mandatory Redemption Date	Principal Amount
September 1, 2024	\$ 200,000
September 1, 2025	\$ 235,000
September 1, 2026	\$ 250,000
September 1, 2027	\$ 260,000
September 1, 2028	\$ 270,000
September 1, 2029 (Maturity)	\$ 285,000

\$1,650,000 System Term Bond Maturing on September 1, 2034

Mandatory Redemption Date	Principal Amount
September 1, 2030	\$ 300,000
September 1, 2031	\$ 315,000
September 1, 2032	\$ 330,000
September 1, 2033	\$ 345,000
September 1, 2034 (Maturity)	\$ 360,000

\$1,230,000 System Term Bond Maturing on September 1, 2046

Mandatory Redemption Date	Principal Amount
September 1, 2045	\$ 600,000
September 1, 2046 (Maturity)	\$ 630,000

\$1,350,000 System Term Bond Maturing on September 1, 2048

Mandatory Redemption Date	Principal Amount
September 1, 2047	\$ 660,000
September 1, 2048 (Maturity)	\$ 690,000

The Road Bonds maturing on September 1 in the years 2031, 2040, 2042, 2044, 2046, and 2048 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 Mandatory Redemption Date, and in the principal amount set forth in the following schedule:

\$285,000 Road Term Bond Maturing on September 1, 2031

Mandatory Redemption Date	Principal Amount
September 1, 2030	\$ 140,000
September 1, 2031 (Maturity)	\$ 145,000

\$430,000 Road Term Bond Maturing on September 1, 2040

Mandatory Redemption Date	Principal Amount
September 1, 2039	\$ 210,000
September 1, 2040 (Maturity)	\$ 220,000

\$475,000 Road Term Bond Maturing on September 1, 2042

Mandatory Redemption Date	Principal Amount
September 1, 2041	\$ 230,000
September 1, 2042 (Maturity)	\$ 245,000

\$520,000 Road Term Bond Maturing on September 1, 2044

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2043	\$ 255,000
September 1, 2044 (Maturity)	\$ 265,000

\$570,000 Road Term Bond Maturing on September 1, 2046

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2045	\$ 280,000
September 1, 2046 (Maturity)	\$ 290,000

\$625,000 Road Term Bond Maturing on September 1, 2048

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2047	\$ 305,000
September 1, 2048 (Maturity)	\$ 320,000

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.

**Successor Paying Agent/Registrar**

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

**Authority for Issuance**

The System Bonds are issued pursuant to an order of the TCEQ; the System Bond Resolution; Article XVI, Section 59 of the Texas Constitution; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code; and an election held within the District on November 3, 2009.

The Road Bonds are issued pursuant to the Road Bond Resolution; Article III, Section 52 of the Texas Constitution; Chapter 8322 of the Special District Local Laws Code; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code; and an election held within the District on November 3, 2009.

Before the Bonds are 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 or upon the adequacy of the information contained herein.

**Outstanding Bonds**

The District has previously issued the: \$5,500,000 Sienna Municipal Utility District No. 6 Unlimited Tax Road Bonds, Series 2020; \$3,800,000 Sienna Municipal Utility District No. 6 Unlimited Tax Bonds, Series 2021; \$2,670,000 Sienna Municipal Utility District No. 6 Unlimited Tax Road Bonds, Series 2021; \$14,790,000 Sienna Municipal Utility District No. 6 Unlimited Tax Bonds, Series 2022; and \$12,885,000 Sienna Municipal Utility District No. 6 Unlimited Tax Road Bonds, Series 2022. At the delivery of the Bonds, \$39,135,000 principal amount of such previously issued debt will remain outstanding (the "Outstanding Bonds").

**Funds**

The System Bond Resolution confirms the District's debt service fund for payment of debt service on the System Bonds and any other bonds issued by the District for the purpose of acquiring or constructing the Utility System (herein defined), or for the purpose of refunding such bonds (the "Utility System Debt Service Fund"). The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the bonds issued by the District for the Utility System, including the System Bonds, and any additional bonds issued by the District for the Utility System, is to be kept separate from all other funds of the District and is to be used only for payment of such bonds. Amounts on deposit in the Utility System Debt Service Fund may also be used for the following, to the extent applicable to the bonds issued by the District for

the Utility System, including the System Bonds, and any additional bonds issued by the District for the Utility System: to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of principal of and interest on bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Upon closing of the System Bonds, six (6) months of capitalized interest will be deposited into the Utility System Debt Service Fund. The proceeds from all taxes levied and collected for payment of debt service on bonds issued by the District for the Utility System, including the System Bonds, and any additional bonds issued by the District for the Utility System will also be deposited into the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are available only to pay debt service on the bonds issued by the District for the Utility System, including the System Bonds, and any additional bonds issued by the District for the Utility System and are not available to pay debt service on the bonds issued by the District for the Road System (herein defined), including the Road Bonds, or any additional bonds issued by the District for the Road System.

The Road Bond Resolution confirms the District's debt service fund for payment of debt service on the Road Bonds and any other bonds issued by the District for the purpose of acquiring or constructing the Road System, or for the purpose of refunding such bonds (the "Road System Debt Service Fund"). The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the bonds issued by the District for the Road System, including the Road Bonds, and any additional bonds issued by the District for the Road System, is to be kept separate from all other funds of the District and is to be used only for payment of such bonds. Amounts on deposit in the Road System Debt Service Fund may also be used for the following, to the extent applicable to the bonds issued by the District for the Road System, including the Road Bonds, and any additional bonds issued by the District for the Road System: to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of principal of and interest on bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

The proceeds from all taxes levied and collected for payment of debt service on bonds issued by the District for the Road System, including the Road Bonds, and any additional bonds issued by the District for the Road System will also be deposited into the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are available only to pay debt service on the bonds issued by the District for the Road System, including the Road Bonds, and any additional bonds issued by the District for the Road System and are not available to pay debt service on the bonds issued by the District for the Utility System, including the System Bonds, or any additional bonds issued by the District for the Utility System.

#### **Source of Payment**

The Bonds are payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. In the Bond Resolutions, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees and the Fort Bend Central Appraisal District (the "Appraisal District") fees. Tax proceeds, after deduction for collection costs, will be placed into the applicable debt service fund and used solely to pay principal of and interest on the Bonds, the Outstanding Bonds, and additional bonds payable from taxes which may be issued, and Paying Agent/Registrar fees.

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

#### **Issuance of Additional Debt**

The District may issue additional bonds necessary to provide improvements and facilities consistent with the purposes for which the District was created. The System Bonds constitute the third series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a waterworks, wastewater, and storm drainage system to serve the District (the "Utility System") and the Road Bonds constitute the fourth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a road system to serve the District (the "Road System"). Voters in the District have authorized a total of \$347,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for the purpose of refunding such bonds, and a total of \$199,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for the purpose of refunding such bonds. Additionally, voters in the District have authorized a total of \$78,800,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing park and recreational facilities to serve the District, and for the purpose of refunding such bonds. Following the issuance of the Bonds, \$317,990,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for the purpose of refunding such bonds; \$173,600,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for the purpose of refunding such bonds; and \$78,800,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing park and recreational facilities to serve the District, and for the purpose of refunding such bonds, will remain authorized and unissued. The Bond Resolutions impose no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and, in the case of bonds issued by the District for the purpose of acquiring or constructing the Utility System, such as the System Bonds, or for the purpose of acquiring or constructing park and

recreational facilities to serve the District, approved by the TCEQ). The District's issuance of bonds for the purpose of acquiring or constructing the Road System, such as the Road Bonds, is not subject to approval by the TCEQ.

Following the issuance of the Bonds, the District will owe the Developer approximately \$34,290,000 for expenditures to construct the Utility System and approximately \$16,695,000 for expenditures to construct the Road System. In addition, the District expects to sell park bonds to pay its pro-rata share of Master District Park Facilities (herein defined).

The District is authorized by statute to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purpose. The principal amount of park bonds sold by the District is limited to 1% of the District's taxable assessed valuation, however, effective June 14, 2021, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not 3% of the value of the taxable property in the District. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the Engineer (herein defined), following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developer the remaining amounts owed for the existing utility facilities, and to finance the extension of water, wastewater, and storm drainage facilities and services to serve the remaining undeveloped land and road improvements within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE UTILITY SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."

### **No Arbitrage**

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

### **Defeasance**

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

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

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

### **Annexation by the City**

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

The District lies within the extraterritorial jurisdiction of the City. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement under Section 43.0751, Texas Local Government Code between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District.

The District and the City entered into a strategic partnership agreement (the "Agreement"). Pursuant to the Agreement, which sets forth the terms of full purpose annexation, the City will not annex the property in the District until (i) at least 95% of the developable acreage within the District has been developed with water, wastewater, and drainage facilities, and (ii) the Developer has been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement. If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District within 90 days. No representation is made as to whether or not the City will annex the District at any time in the future. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

The Agreement allows for annexation for certain limited purposes, such as the provision of certain municipal services. The Agreement was amended on October 5, 2020, to allow the City to annex the District for the sole purpose of providing fire protection services. The District remains in the City's extraterritorial jurisdiction and is not subject to a City ad valorem tax. See "DEVELOPMENT WITHIN THE DISTRICT."

### **Consolidation**

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

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

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

(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.

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

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

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

### **Registered Owners' Remedies**

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

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

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**Use and Distribution of System Bond Proceeds**

Proceeds from the sale of the System Bonds will be used to reimburse the Developer for the improvements and related costs shown below. Additionally, proceeds from the sale of the System Bonds will be used to pay: six (6) months of capitalized interest; developer interest; operating advances; and certain other costs associated with the issuance of the System Bonds, as shown below.

Non-construction costs are based upon either contract amounts or various cost estimates by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the 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. Sienna Section 28 – W, WW & D	\$ 669,124
2. Sienna Section 38 – W, WW & D	801,610
3. Sienna Section 32A&B – W, WW & D	354,993
4. Sienna Section 29A – W, WW & D	643,846
5. Sienna Section Heritage Park Bridge over Channel 3	1,202,624
6. Sienna Section 33B – W, WW & D	309,302
7. Sienna Section 33C – W, WW & D	302,047
8. Sienna Section 33D – W, WW & D	811,874
9. Sienna Section 42 – W, WW & D	773,048
10. Heritage Park Phase 3	624,679
11. Engineering (for Item Nos. 1-10 and Sienna Section 34A)	1,263,083
12. SWPPP (for Item Nos. 1-10)	<u>208,970</u>
Total Developer Contribution Items	\$ 8,038,198
B. District Items	
None	\$ _____
TOTAL CONSTRUCTION COSTS	<u>\$ 8,038,198</u>
<u>NON-CONSTRUCTION COSTS</u>	
A. Legal Fees	\$ 248,400
B. Fiscal Agent Fees	208,400
C. Interest	
1. Developer Interest	1,118,666
2. Capitalized Interest (6 Months)	253,888
D. Bond Discount	263,254
E. Bond Issuance Expenses	23,061
F. Bond Application Report Costs	55,000
G. Operating Advances	106,598
H. Attorney General Fee (0.10%)	9,500
I. TCEQ Bond Issuance Fee (0.25%)	26,050
J. Contingency (a)	<u>68,985</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$ 2,381,800</u>
TOTAL BOND ISSUE REQUIREMENT	<u>\$ 10,420,000</u>

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

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that proceeds of the sale of the System Bonds should be sufficient to pay the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.



## Use and Distribution of Road Bond Proceeds

Proceeds from the sale of the Road Bonds will be used to reimburse the Developer for the improvements and related costs shown below. Additionally, proceeds from the sale of the Road Bonds will be used to pay developer interest and certain other costs associated with the issuance of the Road Bonds, as shown below.

Non-construction costs are based upon either contract amounts or various cost estimates by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the 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. Sienna Section 36 (Construction, Clearing, Engineering, & Testing)	\$ 134,726
B. Sienna Section 30 (Construction, Clearing, Engineering, & Testing)	1,118,419
C. Sienna Section 39B (Construction, Clearing, Engineering, & Testing)	673,769
D. Sienna Section 44 (Construction, Clearing, Engineering, & Testing)	1,244,049
E. Sienna Section 48 (Construction, Clearing, Engineering, & Testing)	760,725
F. Sienna Section 46 (Construction, Clearing, Engineering, & Testing)	<u>165,877</u>
TOTAL CONSTRUCTION COSTS	\$ 4,097,566
<u>NON-CONSTRUCTION COSTS</u>	
A. Legal Fees	\$ 136,125
B. Fiscal Agent Fees	96,900
C. Developer Interest	288,907
D. Bond Discount (3%)	145,350
E. Bond Issuance Expenses	35,001
F. Engineering Report Costs	40,306
G. Attorney General Fee (0.10%)	<u>4,845</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$ 747,433</u>
TOTAL BOND ISSUE REQUIREMENT	\$ 4,845,000

The Engineer has advised the District that the proceeds of the sale of the Road Bonds should be sufficient to pay the costs of the above-described facilities; however, the District cannot and does not guarantee the sufficiency of such funds for such purposes. 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 District cannot and does not guarantee the sufficiency of such funds for such purposes.

## THE DISTRICT

### Authority

The District is a municipal utility district created by an order of the TCEQ dated March 13, 1997. The creation of the District was confirmed at an election held within the District on November 3, 2009. The rights, powers, privileges, authority, and functions of the District are established by the general laws of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code; Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution; and Chapter 8322 of the Special District Local Laws Code. The District is subject to the continuing supervision of the TCEQ.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of stormwater.

The District is also is authorized to finance road improvements and construct, develop, and maintain park and recreational facilities. In addition, the District, after complying with certain requirements set forth in the Texas Water Code, is authorized to establish, operate, and maintain a fire department, independently or with one (1) or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. The District presently receives fire protection services pursuant to a contract with the City, for which the District pays a monthly fee per house. See "THE UTILITY SYSTEM" and "THE ROAD SYSTEM."

### Description

The District encompasses approximately 1,300 acres. The District is located in the southeast part of the County, approximately 24 miles southwest of the downtown of the City of Houston, Texas ("Houston"). The District is approximately four (4) miles south of the intersection of the Fort Bend Parkway Toll Road and Sienna Parkway; approximately 11 miles southeast of the intersection of Texas State Highway 6 and U.S. Highway 59; and approximately five (5) miles south of the intersection of Texas State Highway 6 and Sienna Parkway. The Brazos River and Flat Bank Creek diversion channel border the District on the west. The District is south of Sienna Municipal Utility District No. 4 ("SMUD4"). The District is situated

entirely within the boundaries of both Fort Bend Independent School District and SPLID (herein defined). The District also lies wholly within the extraterritorial jurisdiction of the City. See “THE BONDS – Annexation by the City.”

The District was originally named “Sienna Plantation Municipal Utility District No. 6” and was officially renamed “Sienna Municipal Utility District No. 6” by order of the TCEQ, dated October 7, 2020.

The District, the Master District (herein defined), SMUD4, and Sienna Municipal Utility District No. 7 are collectively referred to herein as the “Participants,” and collectively comprise of the area referred to herein as the “Service Area,” which is part of Sienna (herein defined) and consists of approximately 3,424 acres. SPLID provides major outfall drainage and flood protection for the District. See “THE FLOOD PROTECTION SYSTEM.”

**Management of the District**

The District is governed by the Board, consisting of five (5) directors, who have control over and management supervision of all affairs of the District. All of the directors own land within in the District. The directors serve four (4)-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>
Jason Miller	President	2024
Ryan Pledger	Vice President	2026
Christina Perry	Assistant Vice President	2024
Linda Noyd	Secretary	2026
Brad Baird	Assistant Secretary	2026

**Investment Policy**

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the Act, and in TexPool and Texas CLASS, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the portfolio.

**Consultants**

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

***Tax Assessor/Collector***

The District's Tax Assessor/Collector is Ms. Esther Flores of Tax Tech, Inc., Houston, Texas (the "Tax Assessor/Collector"). The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Appraisal District and bills and collects such levy.

***Bookkeeper***

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

***Utility System Operator***

The District's operator is Si Environmental, LLC., Houston, Texas.

***Auditor***

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audit reports are filed with the TCEQ. The District's financial statements for the fiscal year ended July 31, 2022, were audited by McGrath & Co., PLLC, Houston, Texas (the "Auditor"), and are attached hereto as "APPENDIX B."

***Engineer***

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

### ***Bond & General Counsel***

The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, 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 issuance and delivery of the Bonds. Allen Boone Humphries Robinson LLP, Houston, Texas, also serves as general counsel to the District on matters other than the issuance of 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 employed as financial advisor (the "Financial Advisor") to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information herein.

## **DEVELOPMENT WITHIN THE DISTRICT**

To date, approximately 700.6 acres (1,940 lots) within the District have been developed as the single-family residential subdivision of Sienna, Sections 14, 27, 28, 29A, 29B, 30, 31, 32A/32B, 33A, 33B, 33C, 33D, 34A, 34B, 35A, 36, 37, 38, 39A, 39B, 40A, 40B, 41, 42, 43, 44, 46, 48, 49, 52, 53, 55, 57, 64, and 66. As of August 1, 2023, 1,116 homes were complete (1,050 occupied, 35 unoccupied, and 31 models), 310 homes were under construction, and 514 lots were developed and vacant. Approximately 74.6 acres (108 lots) are currently under development as the single-family residential subdivision of Sienna, Sections 62 and 67. In addition, approximately 15.0 acres have been developed as Leonetti Elementary School; approximately 32.0 acres have been developed as Ronald Thornton Middle School; approximately 1.7 acres have been developed as Montessori School; and approximately 10.1 acres have been developed as a regional wastewater treatment plant owned and operated by SRMUD (herein defined). The remaining land within the District includes approximately 409.3 undeveloped but developable acres and approximately 57.1 undevelopable acres.

## **HOMEBUILDERS ACTIVE WITHIN THE DISTRICT**

Homebuilders active within the District include Toll Brothers; Jamestown Estate Homes; Westin Homes; Shea Homes; Weekley Homes; Tri Pointe Homes; Highland Homes; Perry Homes; Newmark Homes; Chesmar Homes; J. Patrick Homes; Beazer Homes; and MHI. Prices of new homes being constructed within the District range in price from approximately \$300,000 to over \$900,000, and in size from approximately 1,500 square feet to over 6,000 square feet.

## **DESCRIPTION OF THE DEVELOPER**

### **Role of a Developer**

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivisions, designing the utilities and streets to be constructed in the subdivisions, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In some instances, the developer will be required to pay up to 30% of the cost of constructing certain of the water, wastewater, and drainage facilities in a utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by such district. A developer is generally under no obligation to a district to develop the property which it owns. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is usually the major taxpayer within a municipal utility district during the initial development phase of the property.

### **Description of the Developer**

The developer of land within the District 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 Johnson Development Corp. ("JDC"), has been hired as fee developer for the Developer. The Developer purchased the land in the Service Area, which includes the District, in December of 2013. Toll Brothers is a publicly traded corporation whose stock is listed on the New York Stock Exchange as "TOL." Audited financial statements for Toll Brothers can be found online at [www.tollbrothers.com/investor\\_relations](http://www.tollbrothers.com/investor_relations). Toll Brothers is subject to the information requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports and other information with 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.

Neither Toll Brothers nor GTIS is legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by the Developer, or to pay any other obligations 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 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 District or owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, 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.

## SIENNA

### Description of Project

In December 2013, the Developer purchased approximately 3,800 acres within the southern region of the approximately 10,230-acre master planned community known as "Sienna." The Developer's property (the "Toll Brothers Development") encompasses the Service Area, which includes the District. An affiliate of JDC has been hired as fee developer for the Developer. Development and homebuilding are currently underway in the Toll Brothers Development.

In addition to the Toll Brothers Development, JDC, through several partnerships, has acquired and developed approximately 4,500 acres within the northern region of Sienna (the "JDC Development"). This area includes four (4) internal municipal utility districts and a management district, as well as an approximate 214-acre rural estate subdivision known as "The Woods at Sienna."

Sienna Regional Municipal Utility District (the "SRMUD") is the municipal utility district providing the water supply and wastewater treatment facilities, as well as the regional water distribution, regional wastewater treatment plant, regional wastewater collection trunk lines, and regional stormwater collection trunk lines necessary to serve Sienna.

SPLID encompasses approximately 9,832 acres, approximately 8,520 of which are within Sienna (including the Service Area, which includes the District).

According to JDC, which has developed the JDC Development and manages the development of the Toll Brothers Development on behalf of the Developer, the ultimate land use within Sienna is currently projected to consist of: approximately 15,725 single-family residential lots; approximately 2,720 multi-family units; approximately 1,150 retirement residential units; approximately 300 rural estate residential units; and approximately 1,105 acres used for the development of commercial mixed-use projects. The remaining ultimate land use within Sienna is currently projected to consist of: multiple primary and secondary schools; multiple churches; an information center; an 18-hole golf course; a clubhouse; multiple water theme parks; swimming and tennis facilities; an amphitheater; drainage, levee, and utility easements; street rights-of-way; and multiple open spaces, lakes, parks, recreational facilities, and greenbelts.

To date, development within Sienna has occurred primarily within Sienna Municipal Utility District No. 2 ("SMUD2" – which was annexed into the City on August 21, 2023); Sienna Municipal Utility District No. 3 ("SMUD3"); SMUD4; Sienna Municipal Utility District No. 10 ("SMUD10"); Sienna Municipal Utility District No. 12 ("SMUD12"); Sienna Management District ("SMD"); The Woods at Sienna; and the District. As of May 15, 2023, single-family residential development within Sienna, in aggregate, includes approximately 10,530 completed homes; approximately 177 homes under construction; approximately 349 vacant and developed lots; approximately 307 lots under development; and 104 rural estate lots in The Woods at Sienna.

The District's tax is levied only on the property located within the District. Therefore, the investment security and quality of the Bonds is dependent upon the successful development of property located within the District, and the payment and collection of taxes levied thereon. Neither the faith and credit nor the taxing power of any of the internal districts comprising Sienna, other than the District, is pledged to the payment of any obligation of the District, including the Bonds. Development within the District is discussed under "DEVELOPMENT WITHIN THE DISTRICT." See "INVESTMENT CONSIDERATIONS" and "SIENNA – Development Agreement."

### Development Agreement

A prior owner of land within the District 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, which includes the District); and clarifies that unless expressly set forth in the Eighth Amendment, none of the terms of the preceding seven (7) 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 in the Service Area.

The Development Agreement was assigned to the Developer on December 10, 2013, and the Developer is developing the Service Area pursuant to the terms of the Development Agreement. The Development Agreement stipulates the City’s regulatory authority over the development of the Service Area, 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, including the District, before such time as (i) at least 95% of the developable acreage within the Participant 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. 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 Master District, or maintaining any facilities not accepted by the City.

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PHOTOGRAPHS TAKEN WITHIN THE DISTRICT  
(August 2023)



**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT  
(August 2023)**



**DISTRICT DEBT**

**Debt Service Requirement Schedule**

The following schedule sets forth the current (as of August 1, 2023) total debt service requirements of the District, plus the principal and interest requirements on the Bonds. Totals may not sum due to rounding.

Year	Outstanding Debt Service	The System Bonds			The Road Bonds			Total Debt Service
		Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	
2023	\$ 1,158,090	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,158,090
2024	2,624,441	200,000	441,482	641,482	95,000	199,961	294,961	3,560,885
2025	2,612,321	235,000	494,775	729,775	110,000	223,813	333,813	3,675,909
2026	2,597,910	250,000	479,500	729,500	115,000	216,663	331,663	3,659,073
2027	2,590,098	260,000	463,250	723,250	120,000	209,188	329,188	3,642,535
2028	2,588,929	270,000	446,350	716,350	125,000	201,388	326,388	3,631,666
2029	2,590,619	285,000	428,800	713,800	135,000	193,263	328,263	3,632,681
2030	2,585,191	300,000	410,275	710,275	140,000	184,488	324,488	3,619,954
2031	2,587,598	315,000	395,275	710,275	145,000	178,888	323,888	3,621,760
2032	2,587,328	330,000	379,525	709,525	155,000	173,088	328,088	3,624,940
2033	2,598,946	345,000	363,025	708,025	160,000	166,888	326,888	3,633,859
2034	2,603,208	360,000	345,775	705,775	170,000	160,488	330,488	3,639,470
2035	2,607,726	375,000	327,775	702,775	175,000	153,475	328,475	3,638,976
2036	2,614,839	395,000	312,775	707,775	185,000	146,038	331,038	3,653,651
2037	2,614,213	415,000	296,975	711,975	195,000	138,175	333,175	3,659,363
2038	2,619,481	435,000	279,338	714,338	200,000	129,888	329,888	3,663,706
2039	2,625,031	455,000	260,850	715,850	210,000	120,888	330,888	3,671,769
2040	2,622,506	475,000	240,944	715,944	220,000	111,438	331,438	3,669,888
2041	2,631,938	500,000	219,569	719,569	230,000	101,538	331,538	3,683,044
2042	2,630,806	520,000	197,069	717,069	245,000	91,188	336,188	3,684,063
2043	2,634,650	545,000	173,669	718,669	255,000	80,163	335,163	3,688,481
2044	2,624,631	575,000	149,144	724,144	265,000	68,688	333,688	3,682,463
2045	2,626,106	600,000	122,550	722,550	280,000	56,763	336,763	3,685,419
2046	2,293,481	630,000	94,050	724,050	290,000	43,463	333,463	3,350,994
2047	1,911,688	660,000	64,125	724,125	305,000	29,688	334,688	2,970,500
2048	-	690,000	32,775	722,775	320,000	15,200	335,200	1,057,975
<b>Total</b>	<b>\$ 62,781,774</b>	<b>\$ 10,420,000</b>	<b>\$ 7,419,638</b>	<b>\$ 17,839,638</b>	<b>\$ 4,845,000</b>	<b>\$ 3,394,699</b>	<b>\$ 8,239,699</b>	<b>\$ 88,861,111</b>

Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2024–2048)..... \$ 3,508,121

Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2043)..... \$ 3,688,481

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**Selected Financial Information**

2023 Assessed Valuation .....	\$	541,681,009	(a)
(100% of the market valuation as of January 1, 2023)			
Estimated Assessed Valuation as of August 1, 2023.....	\$	576,922,111	(b)
(100% of the estimated market valuation as of August 1, 2023)			
Direct Debt:			
The Outstanding Bonds (at the Delivery of the Bonds).....	\$	39,135,000	
The System Bonds .....	\$	10,420,000	
The Road Bonds.....	\$	<u>4,845,000</u>	
Total .....	\$	54,400,000	
Estimated Overlapping Debt.....	\$	<u>63,134,264</u>	(c)
Total Direct and Estimated Overlapping Debt.....	\$	117,534,264	(c)
Direct Debt Ratios:			
As a Percentage of the 2023 Assessed Valuation .....		10.04	%
As a Percentage of the Estimated Assessed Valuation as of August 1, 2023.....		9.43	%
Direct and Estimated Overlapping Debt Ratios:			
As a Percentage of the 2023 Assessed Valuation .....		21.70	%
As a Percentage of the Estimated Assessed Valuation as of August 1, 2023.....		20.37	%
Utility System Debt Service Fund Balance (as of August 15, 2023) .....	\$	1,073,522	(d)
Road System Debt Service Fund Balance (as of August 15, 2023) .....	\$	1,186,363	(e)
Contract Tax Fund Balance (as of August 15, 2023).....	\$	28,708	(f)
Utility System Capital Projects Fund Balance (as of August 15, 2023).....	\$	-	
Road System Capital Projects Fund Balance (as of August 15, 2023).....	\$	33,054	
General Operating Fund Balance (as of August 15, 2023) .....	\$	746,158	

- 
- (a) Represents the assessed valuation of all taxable property located within the District as of January 1, 2023, as provided by the Appraisal District. Such amount includes \$19,175,474 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board (herein defined). Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board, upon which the District will levy its tax. See "TAX DATA" and "TAXING PROCEDURES."
  - (b) Provided by the Appraisal District for informational purposes only, this amount represents an estimate of all taxable property located within the District as of August 1, 2023, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2023, through August 1, 2023. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
  - (c) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
  - (d) Neither Texas law nor the System Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the Road System, including the Road Bonds. Six (6) months of capitalized interest will be deposited into the Utility System Debt Service Fund upon closing of the System Bonds.
  - (e) Neither Texas law nor the Road Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the Utility System, including the System Bonds.
  - (f) See "TAX DATA - Contract Tax."

2022 Tax Rate per \$100 of Assessed Valuation:	
Debt Service.....	\$ 0.680 (a)
Maintenance and Operations .....	\$ 0.040
Contract.....	<u>\$ 0.330</u> (b)
Total .....	\$ 1.050
Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2024–2048).....	
	\$ 3,508,121 (c)
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2043).....	
	\$ 3,688,481 (c)
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2024–2048) at 95% Collections:	
Based on the 2023 Assessed Valuation.....	\$ 0.69
Based on the Estimated Assessed Valuation as of August 1, 2023 .....	\$ 0.65
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2043) at 95% Collections:	
Based on the 2023 Assessed Valuation.....	\$ 0.72
Based on the Estimated Assessed Valuation as of August 1, 2023 .....	\$ 0.68
Single-Family Homes as of August 1, 2023 .....	1,116 (d)

- (a) The debt service tax rate is composed of a \$0.320 tax rate for payment of debt service on bonds issued for the Utility System and a \$0.360 tax rate for payment of debt service on bonds issued for the Road System. The District is authorized to levy separate taxes to pay debt service for bonds issued for the Utility System and to pay debt service for bonds issued for the Road System; both such taxes are unlimited as to rate or amount. See "TAX DATA – Tax Rate Distribution."
- (b) The contract tax rate is composed of payments to the Master District for the District's share of debt service for Master District bonds issued for Master District Facilities, including payments to SRMUD for bonds issued for the permanent wastewater treatment plant. See "MASTER DISTRICT CONTRACT."
- (c) See "DISTRICT DEBT – Debt Service Requirement Schedule."
- (d) Includes 1,050 complete and occupied homes, 35 complete and unoccupied homes, and 31 model homes. See "DEVELOPMENT WITHIN THE DISTRICT."

#### Unlimited Tax Bonds Authorized but Unissued

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Amount Issued to Date</u>	<u>Remaining Unissued</u>
11/03/2009	Utility System and Refunding	\$ 347,000,000	\$ 29,010,000 (a)	\$ 317,990,000
11/03/2009	Road System and Refunding	199,500,000	25,900,000 (b)	173,600,000
11/03/2009	Park/Recreation and Refunding	78,800,000	-	78,800,000

- (a) Includes the System Bonds.  
(b) Includes the Road Bonds.

**Estimated Direct and Overlapping Debt Statement**

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

Taxing Jurisdiction	Outstanding Debt	Overlapping	
	July 31, 2023	Percent	Amount
The County	\$ 956,522,050	0.51%	\$ 4,831,047
Fort Bend County Drainage District	23,615,000	0.51%	119,271
Fort Bend Independent School District	1,621,385,000	1.03%	16,633,967
SPLID	177,240,000	8.64%	15,320,811
The Master District (a)	78,395,000	33.46%	<u>26,229,167</u>
Total Estimated Overlapping Debt.....			\$ 63,134,264
The District (b) .....			<u>\$ 54,400,000</u>
Total Direct & Estimated Overlapping Debt (b) .....			\$ 117,534,264

- (a) The Master District plans to issue \$18,180,000 principal amount of unlimited tax bonds in October 2023. Such bonds are included in the Master District’s outstanding debt amount. See “MASTER DISTRICT CONTRACT” and “MASTER DISTRICT CONTRACT WITH SRMUD.”
- (b) Includes the Bonds.

**Debt Ratios**

Direct Debt Ratios (a):	
As a Percentage of the 2023 Assessed Valuation .....	10.04 %
As a Percentage of the Estimated Assessed Valuation as of August 1, 2023.....	9.43 %
Direct and Estimated Overlapping Debt Ratios (a)(b):	
As a Percentage of the 2023 Assessed Valuation .....	21.70 %
As a Percentage of the Estimated Assessed Valuation as of August 1, 2023.....	20.37 %

- (a) Includes the Bonds.
- (b) See “MASTER DISTRICT CONTRACT” and “MASTER DISTRICT CONTRACT WITH SRMUD.”

**TAXING PROCEDURES**

**Authority to Levy Taxes**

The Board is authorized to levy two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District in sufficient amount to pay principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. See “INVESTMENT CONSIDERATIONS – Future Debt.” The District agrees in the Bond Resolutions to levy such a tax from year to year as discussed under “THE BONDS – Source of Payment.” Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the Utility System, and for the payment of certain contractual obligations. See “TAX DATA – Maintenance Tax,” “TAX DATA – Contract Tax,” and “MASTER DISTRICT CONTRACT.”

**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. 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 the County. Such

appraisal values will be subject to review and change by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate. See "TAXING PROCEDURES – Valuation of Property for Taxation."

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

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. For the 2023 tax year, the District did not grant an exemption for persons over 65 years of age and for disabled persons.

**Residential Homestead Exemptions:** The Property Tax Code authorizes the governing body of each political subdivision in Texas to exempt up to 20% of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1. The District has 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 District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent

years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one (1) or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

### **Tax Abatement**

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 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 District as a reinvestment zone.

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

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10% 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 (1) political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) 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 (3) years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

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

temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

During the 2<sup>nd</sup> Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 (“SB 2”), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5,000,000 (the “Maximum Property Value”) to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20% of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the “Appraisal Cap”). After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023; however, the provisions described hereinabove will take effect January 1, 2024, but only if the constitutional amendment proposed by H.J.R. 2, 88<sup>th</sup> Legislature, 2<sup>nd</sup> Called Session, 2023, is approved by the voters.

### **District and Taxpayer Remedies**

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

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

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

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 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 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected by taxing units. The District’s tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of taxes, penalties, and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

### **Tax Payment Installments After Disaster**

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction, such as the District, if the taxpayer pays at least 1/4<sup>th</sup> of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three (3) equal installments within six (6) months of the delinquency date.

Additionally, the Property Tax Code authorizes a taxing jurisdiction, such as the District, solely at the jurisdiction’s discretion to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

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

Chapter 49 of the Texas Water Code classifies districts differently based on the current maintenance and operations tax rate or on the percentage of build-out that the District has 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 is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

### *Special Taxing Units*

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, may be 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 value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, may be 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 of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the 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 value 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*

For the 2023 tax year, the District has designated itself as a Developing District. For future years, a determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

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

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

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

delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

## **TAX DATA**

### **General**

All taxable property within the District is subject to the assessment, levy, and collection by the District of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. See "TAXING PROCEDURES." The Board has in its Bond Resolutions covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay principal of and interest on the Bonds. See "THE BONDS" and " INVESTMENT CONSIDERATIONS." For the 2022 tax year, the District levied a total tax rate of \$1.050 per \$100 of assessed valuation made up of the following: a tax rate of \$0.320 per \$100 of assessed valuation for payment of debt service on bonds issued for the Utility System; a tax rate of \$0.360 per \$100 of assessed valuation for payment of debt service on bonds issued for the Road System; a tax rate of \$0.040 per \$100 of assessed valuation for maintenance and operation purposes; and a tax rate of \$0.330 per \$100 of assessed valuation for payment of the District's contractual obligation to pay costs of the Master District Facilities.

### **Tax Rate Limitation**

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

### **Debt Service Tax**

The Board covenants in the Bond Resolutions to levy and assess, for each year that all of or any part of the Bonds remain outstanding and unpaid, taxes adequate to provide funds to pay the principal of and interest on the Bonds.

In the System Bond Resolution, the Board also covenants to deposit into the Utility System Debt Service Fund the proceeds from all taxes levied, appraised, and collected for payment of the System Bonds authorized by the System Bond Resolution. Proceeds from the sale of the System Bonds will be deposited into the capital projects fund for the bonds issued for the Utility System (the "Utility System Capital Projects Fund") upon closing of the System Bonds to be used for the purpose of reimbursing the Developer for certain construction costs and for paying the costs of issuance of the System Bonds. Any monies remaining in the Utility System Capital Projects Fund after completion of construction of the Utility System will be used as permitted by the System Bond Resolution or ultimately transferred to the Utility System Debt Service Fund.

In the Road Bond Resolution, the Board also covenants to deposit into the Road System Debt Service Fund the proceeds from all taxes levied, appraised, and collected for payment of the Road Bonds authorized by the Road Bond Resolution. Proceeds of the Road Bonds will be deposited into the capital projects fund for the bonds issued for the Road System (the "Road System Capital Projects Fund") upon closing of the Road Bonds to be used for the purpose of reimbursing the Developer for certain construction costs and for paying the costs of issuance of the Road Bonds. Any monies remaining in the Road System Capital Projects Fund after completion of construction of the Road System will be used as permitted by the Road Bond Resolution or ultimately transferred to the Road System Debt Service Fund.

For the 2022 tax year, the District levied a tax rate of \$0.320 per \$100 of assessed valuation for payment of debt service on bonds issued for the Utility System and a tax rate of \$0.360 per \$100 of assessed valuation for payment of debt service on bonds issued for the Road System.

### **Maintenance Tax**

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance and operations tax is authorized by vote of the District's electors. On May 12, 2007, the Board was authorized by a vote of the District's electors to levy such maintenance and operations tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future.

For the 2022 tax year, the District levied a tax rate of \$0.040 per \$100 of assessed valuation for maintenance and operation purposes.



**Contract Tax**

The District’s obligation to pay its share of the costs of constructing and operating the Master District Facilities is secured by the unlimited taxing power of the District. See “MASTER DISTRICT CONTRACT.”

For the 2022 tax year, the District levied a tax rate of \$0.330 per \$100 of assessed valuation for payment of the District’s contractual obligation to pay costs of the Master District Facilities.

**Exemptions**

The District has not adopted an exemption from ad valorem taxation of residence homestead of individuals who are disabled or are 65 years of age or older. To date, the District has not adopted a general residential homestead exemption. See “TAXING PROCEDURES.”

**Additional Penalties**

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

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the combined debt service 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 in the District’s tax base occurs beyond the assessed valuation as of January 1, 2023 (\$541,681,009), or the estimated assessed valuation as of August 1, 2023 (\$576,922,111). The calculations assume collection of 95% of taxes levied and the sale of no additional bonds by the District.

Average Annual Debt Service Requirement (2024–2048) .....	\$ 3,508,121
Tax Rate of \$0.69 on the 2023 Assessed Valuation Produces .....	\$ 3,550,719
Tax Rate of \$0.65 on the Estimated Assessed Valuation as of August 1, 2023, Produces .....	\$ 3,562,494
Maximum Annual Debt Service Requirement (2043).....	\$ 3,688,481
Tax Rate of \$0.72 on the 2023 Assessed Valuation Produces.....	\$ 3,705,098
Tax Rate of \$0.68 on the Estimated Assessed Valuation as of August 1, 2023, Produces .....	\$ 3,726,917

**Estimated Overlapping Taxes**

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions, 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. See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement.”

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 2022 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

Taxing Jurisdiction	2022 Tax Rate per \$100 of Assessed Valuation
The District	\$ 1.050000
The County	0.438300
Fort Bend County Drainage District	0.012900
Fort Bend Independent School District	1.134600
SPLID (a)	<u>0.412500</u>
Total Tax Rate	\$ 3.048300

(a) Anticipated tax rate of the 2023 tax year.

**Assessed Valuation Summary**

The following represents the type of property comprising the District’s 2019-2023 tax rolls, as certified by the Appraisal District.

Type of Property	2023 Assessed Valuation (a)	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation	2019 Assessed Valuation
Land	\$ 98,336,494	\$ 92,789,258	\$ 53,916,712	\$ 37,638,857	\$ 28,986,477
Improvements	556,567,493	277,192,775	100,802,118	78,056,958	57,305,505
Personal Property	1,455,982	1,115,980	575,940	292,050	-
Exemptions	(133,854,434)	(92,335,278)	(76,698,505)	(82,756,912)	(69,301,245)
Total	\$ 522,505,535	\$ 278,762,735	\$ 78,596,265	\$ 33,230,953	\$ 16,990,737

(a) Such amounts do not include \$19,175,474 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, upon which the District will levy its tax. See “TAXING PROCEDURES.”

**Historical Collections**

The following represents the historical tax collections for the District’s 2018-2022 tax years.

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 09/30	Collections 07/31/2023
2018	\$ 15,777,564	\$ 1.05	\$ 165,664	100.00 %	2019	100.00 %
2019	16,990,737	1.05	178,403	100.00 %	2020	100.00 %
2020	33,230,953	1.05	348,925	99.70 %	2021	99.87 %
2021	78,596,265	1.05	825,261	99.62 %	2022	99.70 %
2022	278,762,735	1.05	2,927,009	99.34 % (b)	2023	99.34 % (b)

(a) Total tax rate per \$100 of assessed valuation for each respective tax year. See “TAX DATA – Tax Rate Distribution.”  
 (b) In process of collections.

**Tax Rate Distribution**

The following represents the components of the tax rate for the District’s 2018-2022 tax years.

	2022	2021	2020	2019	2018
Utility System Debt Service	\$ 0.320	\$ 0.185	\$ 0.000	\$ 0.000	\$ 0.000
Road System Debt Service	0.360	0.425	0.600	0.000	0.000
Maintenance and Operations	0.040	0.050	0.100	0.680	0.750
Contract (a)	<u>0.330</u>	<u>0.390</u>	<u>0.350</u>	<u>0.370</u>	<u>0.300</u>
Total	\$ 1.050	\$ 1.050	\$ 1.050	\$ 1.050	\$ 1.050

(a) See “MASTER DISTRICT CONTRACT” and “MASTER DISTRICT CONTRACT WITH SRMUD.”

**Principal Taxpayers**

The following represents the principal taxpayers on the District’s 2023 tax roll, as certified by the Appraisal District.

Taxpayer	Assessed Valuation 2023 Tax Roll
Toll-GTIS Property Owner LLC (a)	\$ 12,100,780
Toll Houston TX LLC (b)	7,136,672
Spirit Realty LP	3,963,624
Beazer Homes Texas LP (b)	3,457,398
Westin Homes & Properties LP (b)	3,085,057
Upward America Central Property Owner LP	2,671,928
Newmark Homes Houston LLC (b)	2,370,339
Weekley Homes LLC (b)	2,133,663
Perry Homes LLC (b)	1,912,407
Homeowner	<u>1,717,625</u>
Total	\$ 40,549,493
Percent of Respective Tax Roll	7.49 %

- (a) See “DESCRIPTION OF THE DEVELOPER.”
- (b) See “HOMEBUILDERS ACTIVE WITHIN THE DISTRICT.”

**THE UTILITY SYSTEM**

**General**

The internal water distribution, wastewater collection and stormwater facilities are being provided by the District. Water supply and wastewater treatment, and associated wastewater reuse facilities, are being provided and financed by the Master District but owned and operated by SRMUD through contractual agreement. SPLID provides major outfall drainage and flood protection for the District. See “THE FLOOD PROTECTION SYSTEM.” Flood protection facilities may also be provided by the Master District.

**Regulation**

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

**Water Supply**

The District’s source of water supply is surface water from the City through SRMUD. Pursuant to the Groundwater Reduction Plan, of which SRMUD is a participant, the City has become the permitted entity for water supply. The City owns and operates a 20,000,000 gallons per day (“gpd”) surface water plant located within Sienna. In addition, the SRMUD has an emergency interconnect with the City.

SRMUD owns and operates Sienna Water Plant Nos. 1, 2, and 3, which currently consist of five (5) wells totaling 5,900 gallons per minute (“gpm”), 4,412,000 gallons of ground water storage tank capacity, 320,000 gallons of hydropneumatic tank capacity, 30,257 gpm of booster pump capacity, an auxiliary diesel-powered generator at each site, and related appurtenances. Currently, such plants are rated to serve 18,286 equivalent single-family residential connections (“ESFCs”). As of July 2023, SRMUD was serving approximately 12,123 active 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. SRMUD also provides water supply to The Woods at Sienna.

**Wastewater Treatment**

Currently, Sienna is split into two (2) wastewater treatment regions, the North and South regions. SRMUD provides wastewater treatment to both regions. The District is located in the South region.

To serve the South region, SRMUD owns and operates a 1,800,000 gpd wastewater treatment plant (“WWTP”). The plant is currently treating flows of approximately 1,506,000 gpd, approximately 84% of its permitted flow. There is approximately

300,000 gpd of available permitted treatment capacity at the plant, which represents more than 18 months of development at the current pace.

In May 2018, SRMUD 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 District, pursuant to the Master District Contract (herein defined), 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 District is contractually obligated to pay its pro rata share of the annual debt service. As of August 1, 2023, \$12,695,000 principal amount of the Master District's obligation remained outstanding. SRMUD has begun construction on a 600,000 gpd expansion to the plant, which is expected to be completed in the second quarter of 2024. See "MASTER DISTRICT CONTRACT."

In addition, SRMUD leases and operates a 902,000 gpd WWTP located in the North region ("WWTP No. 3") (sufficient to serve 4,100 ESFCs at 220 gpd/ESFC). As of July 2023, SRMUD was serving approximately 3,962 active ESFCs in the North region. In October 2019, approximately 450,000 gpd of flow in the North region was diverted from WWTP No. 3 to the City's Steep Bank/Flat Bank WWTP. Once an expansion is completed to the City's Steep Bank/Flat Bank WWTP, the balance of the flow will be diverted from WWTP No. 3 and it will be decommissioned. The project is expected to be completed in the first quarter of 2024. Currently, there is approximately 500,000 gpd of available permitted treatment capacity at WWTP No. 3, which represents more than 18 months of development at the current pace in the North Region. WWTP No. 3 does not serve the District or the Service Area.

#### **Operation of the SRMUD System**

SRMUD funds the operations of its system through monthly charges to its participants ("Monthly Connection Charge"). The Monthly Connection Charge is currently \$19.60 per active ESFC per month. If SRMUD experiences an increase in operating costs, the Monthly Connection Charge may be increased.

Further, SRMUD has adopted a long-term capital improvement plan, which is funded through a renewal and replacement fee of \$0.25 per 1,000 gallons pumped. If SRMUD experiences an unforeseen equipment failure in its system, and the renewal and replacement fund is not sufficient to cover the cost, SRMUD may be required that its participants, including the District, fund the repairs.

#### **Fire Protection**

Pursuant to a contract between the District and the City, fire protection to residents of the District is provided by the Missouri City Fire Department from an 8,400 square foot fire station located on Sienna Parkway. A second 7,700 square foot fire station has been constructed and is located along Waters Lake Boulevard. Residents of the District currently pay \$21.50 per month for fire protection from the City.

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## Historical Operations of the Utility System

The following is a schedule of revenues and expenditures associated with operations of the Utility System. The figures below for the fiscal years ended April 30, 2018, through July 31, 2022, were obtained from the District's audited financial statements for the fiscal year ended July 31, 2022, a copy of which is attached hereto as "APPENDIX B" and reference to which is hereby made. As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audit reports are filed with the TCEQ.

	2022 (a)	2021	2020	2019 (b)	2018 (b)
<b>Revenues</b>					
Water service	\$ 314,177	\$ 64,847	\$ 49,941	\$ 32,961	\$ 12,256
Sewer service	358,435	62,812	33,720	14,594	7,973
Property taxes	40,616	32,079	178,403	165,664	-
Penalties and interest	11,987	1,280	329	-	-
Surface water fees	256,450	52,689	47,679	33,820	10,829
Tap connection and inspection	1,376,466	571,874	112,287	17,135	3,550
Fire protection fees	280,940	83,064	52,460	45,924	26,875
Miscellaneous	30,642	5,688	2,300	-	120
Investment earnings	1,976	346	426	85	58
<b>Total Revenues</b>	<b>\$ 2,671,689</b>	<b>\$ 874,679</b>	<b>\$ 477,545</b>	<b>\$ 310,183</b>	<b>\$ 61,661</b>
<b>Expenditures</b>					
<b>Current service operations</b>					
Professional fees	\$ 152,592	\$ 103,195	\$ 63,128	\$ 21,795	\$ 22,361
Contracted services	659,939	366,204	111,232	28,602	88,248
Repairs and maintenance	504,704	88,267	26,156	1,920	11,484
Surface water	260,764	53,300	47,684	34,495	10,829
Administrative	68,217	22,707	19,646	11,509	8,921
Other	40,024	23,750	7,724	3,683	5,789
<b>Intergovernmental</b>					
Master District connection charges	394,229	72,823	41,840	21,903	6,063
Facilities renewal and replacement	25,060	3,483	3,153	2,209	743
Fire protection services	281,758	82,861	52,718	45,924	26,832
Contractual obligations	-	-	60,346	-	-
<b>Total Expenditures</b>	<b>\$ 2,387,287</b>	<b>\$ 816,590</b>	<b>\$ 433,627</b>	<b>\$ 172,040</b>	<b>\$ 181,270</b>
<b>Revenues Over Expenditures</b>	<b>\$ 284,402</b>	<b>\$ 58,089</b>	<b>\$ 43,918</b>	<b>\$ 138,143</b>	<b>\$ (119,609)</b>

(a) 15-month period.

(b) Unaudited.

## MASTER DISTRICT CONTRACT

The Participants, including the District, have executed the Master District Contract (herein defined) 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 water, wastewater, drainage facilities (the "Master District System Facilities"), regional arterial, collector, and thoroughfare roads and improvements in aid thereof (the "Master District Road Facilities"), park and recreational facilities (the "Master District Park Facilities") and firefighting facilities (the "Master District Fire Facilities") necessary to serve the Service Area, which includes the District, collectively referred to as 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 (herein defined), based upon each Participant's Gross Certified Assessed Valuation (herein defined) as a percentage of the Gross Certified Assessed Valuation of all the Participants, calculated annually. Calculation of the Contract Payment (herein defined) 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 (herein defined), 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, 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 by SRMUD. See "MASTER DISTRICT CONTRACT WITH SRMUD." 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, SRMUD owns and operates the Master District System Facilities. Each Participant 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 SRMUD 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 SRMUD for its share of operation and maintenance expenses and payments to SRMUD for its pro rata share of debt service on bonds issued for the permanent wastewater treatment plant. See "MASTER DISTRICT CONTRACT WITH SRMUD." 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 SRMUD) 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 \$32.14 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. 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 may finance the capital costs of Master District Park Facilities either through the issuance of contract revenue bonds or 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 connections to be constructed within the Service Area.

If Park Construction Charges are received by the Master District, they shall be deposited into a separate fund for the benefit of the Participants 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. The Master District intends to issue \$9,420,000 principal amount of contract revenue bonds for Master District System Facilities and \$8,760,000 principal amount of contract revenue bonds for Master District Road Facilities in October 2023. At the delivery of the Bonds, the Master District will have \$60,215,000 principal amount of contract revenue bonds outstanding (exclusive of the anticipated bond issues). In addition, at the delivery of the Bonds, SRMUD will have \$23,585,000 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 SRMUD**

The Participants, including the District, entered into a master district contract with SRMUD (the "SRMUD Agreement"). The SRMUD Agreement includes other participating districts that are not part of the Service Area. The participants in the SRMUD Agreement pay a connection charge to SRMUD based on its pro rata share of the regional facilities in order to obtain water and wastewater service. The participants in the SRMUD Agreement also pay monthly operation charges to SRMUD for their pro rata share of operation and maintenance expenses. SRMUD has limited authority to issue contract revenue bonds with the consent of all the participating districts: SRMUD 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 SRMUD for the purposes of amending and supplementing the SRMUD 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 to SRMUD 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 SRMUD. The Master District will pay monthly operations charges to SRMUD 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 SRMUD. The Master District currently has purchased capacity in water plants owned by SRMUD. SRMUD has constructed a regional wastewater treatment plant, which will treat the wastewater of the Service Area. See "THE UTILITY SYSTEM – Wastewater Treatment." In May 2018, SRMUD 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 District is contractually obligated to pay its pro rata share of the annual debt service. As of August 1, 2023, \$12,695,000 principal amount of the Master District's obligation remained outstanding. See "MASTER DISTRICT CONTRACT."

#### **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 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 1% chance of occurring in any particular year. The County and FBCDD design standards require homes to be built with foundational slabs at least two (2) 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 District that comprises the 100-year flood plain, are based on various historical rainfall and river hydrological data sources. In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District 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 District. 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 District have been constructed in compliance with all design standards in effect at the time of construction. Moreover, even absent any additional improvements to the current Flood Protection System, the 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 (1) 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 District (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 (3) 500-year flooding events since 2015 (i.e. a flooding event that has a 0.2% 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 could occur for a variety of reasons, SPLID’s engineer has identified the three (3) 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 “INVESTMENT CONSIDERATIONS – Possible Flooding Events.”

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

Approximately 8,520 of Sienna’s approximate 10,230 acres are located within SPLID. The system consists of two (2) 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 (the “South Levee System”), including the Service Area (which includes the District). 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 (1) foot above the designated flood plain.

As discussed under “INVESTMENT CONSIDERATIONS – 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 area, 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 (the “North Levee System”). The original construction of the levee and related outfall structures and channels were completed in 2004. The North Levee System does not include the District or the Service Area.

According to SPLID’s engineer, as a result of the construction of the facilities financed by SPLID, all land located within the North Levee System 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 (1) 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 the North Levee System area, including the lots under development. See “THE FLOOD PROTECTION SYSTEM – Design Standards and Atlas 14.”

As discussed under “INVESTMENT CONSIDERATIONS – Extreme Weather Events,” the area within the North Levee System has experienced unanticipated water infiltration in the past. One (1) confirmed source of infiltration was a reversed flow of flood water through the gates at the North Levee System stormwater 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 (2) 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 discussed 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 District, 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 District modified its development plans to improve the Flood Protection System to allow it to better manage extreme weather events such as Hurricane Harvey. In order to implement these modified plans and accelerate improvements to the levee and pump systems in SPLID, in 2018 SPLID held an election and received voter approval authorizing \$139,000,000 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 (5) to seven (7) years. For a discussion on the effectiveness of SPLID's development plans on the mitigation of future flooding events, see "INVESTMENT CONSIDERATIONS – Possible Flooding Events." While not an exhaustive list, SPLID is currently undertaking the following major projects to protect the land within its boundaries:

**Stormwater Pump Station:** SPLID is currently constructing the second phase of a second stormwater pump station to serve the South Levee System. Such pump 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 (2) pump stations with a combined pumping capacity of 799,500 gpm. The second phase of the second pump station is anticipated to be completed in 2023.

**Additional Control Gates:** SPLID has installed 42 additional control gates (11 of which will serve the North Levee System and 31 of which will serve the South Levee System) to protect the Flood Protection System in case of a high river event.

**Outfall Structure:** SPLID has completed construction of its third major outfall structure, which serves the South Levee System. Such outfall structure allows 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 was completed in November 2022.

**Detention Pond Expansion:** SPLID has a detention pond to provide additional capacity to serve the South Levee System. Such facility assists SPLID in a high rain event. The second phase of the detention pond was completed in June 2022. An additional phase of the detention pond is anticipated to be completed in 2024.

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

### **THE ROAD SYSTEM**

The District will construct all internal collector and arterial roads within the District (the "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 thoroughfare, collectors, and arterial roads consist of stabilized curb and gutter with seven (7) and eight (8)-inch concrete pavement, and bridges.

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 Road Facilities for operation and maintenance and is responsible for operation and maintenance thereof. In the event the County were to fail to accept the Road Facilities, the District is expected to include the cost of maintenance of same in the District's operation and maintenance expenses, and such cost could be significant.

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

## INVESTMENT CONSIDERATIONS

### General

The Bonds are obligations of the District and are not obligations of Texas; the County; the City; or any entity other than the District. The Bonds will be secured by the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. The ultimate security for payment of principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the commercial and retail industries, not only due to general economic conditions, but also due to the particular factors discussed below.

### Factors Affecting Taxable Values and Tax Payments

**Economic Factors:** The rate of development within the District is directly related to the vitality of the residential housing industry in the Houston metropolitan area, including particularly the vitality of the market for higher priced homes. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. Although as of August 1, 2023, residential development in the District included approximately 1,116 single-family homes (including 1,050 complete and occupied, 35 complete and unoccupied, and 31 models), the District cannot predict the pace or magnitude of future construction in the District. See "DEVELOPMENT WITHIN THE DISTRICT."

**Principal Landowners/Developers:** There is no commitment by or legal requirement of the principal landowners or the Developer to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "DEVELOPMENT WITHIN THE DISTRICT," "DESCRIPTION OF THE DEVELOPER," and "TAX DATA – Principal Taxpayers."

**Dependence on Principal Taxpayers:** The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated under "TAX DATA – Principal Taxpayers," as of January 1, 2023, the District's 10 principal taxpayers owned property located within the District which comprised of, in aggregate, approximately 7.49% of the total assessed valuation of all taxable property located within the District, and the Developer owned approximately 2.23% of the total assessed valuation of all taxable property located within the District. In the event that the Developer, another taxpayer, or any combination of taxpayers should default in the payment of taxes in an amount that exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolutions to maintain any specified amount of surplus in its interest and sinking funds. See "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

**Location and Access:** The District is located in the southeast part of the County, approximately 24 miles southwest of Houston. The District is approximately four (4) miles south of the intersection of the Fort Bend Parkway Toll Road and Sienna Parkway; approximately 11 miles southeast of the intersection of Texas State Highway 6 and U.S. Highway 59; and approximately five (5) miles south of the intersection of Texas State Highway 6 and Sienna Parkway. The Developer and homebuilders active within the District compete for the sale of developed lots and homes with numerous residential development projects located closer to major employment centers and closer to major freeways. In addition, many of the residential developments with which the District competes have lower overlapping taxes. As a result, particularly during times of increased competition, the Developer and homebuilders may find themselves at a competitive disadvantage to the developers and homebuilders in other residential projects located closer to major urban centers or with lower overlapping taxes. See "THE DISTRICT."

**Maximum Impact on District Tax Rates:** Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The assessed valuation as of January 1, 2023, of all taxable property located within the District is

\$541,681,009 and the estimated assessed valuation as of August 1, 2023, is \$576,922,111. After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds will be \$3,688,481 (2043) and the average annual debt service requirement on the Outstanding Bonds and the Bonds will be \$3,508,121 (2024–2048). Assuming no decrease from the assessed valuation as of January 1, 2023, tax rates of \$0.72 and \$0.69 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Bonds and the Bonds and the average annual debt service requirement on the Outstanding Bonds and the Bonds, respectively. Assuming no decrease from the estimated assessed valuation as of August 1, 2023, tax rates of \$0.68 and \$0.65 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Bonds and the Bonds and the average annual debt service requirement on the Outstanding Bonds and the Bonds, respectively.

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

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

### **Possible Flooding Events**

The District lies within SPLID, which provides flood protection for Sienna. The District is subject to the following flood risks:

***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 UTILITY SYSTEM" and "THE FLOOD PROTECTION SYSTEM." However, the levee system does not protect against all flooding scenarios. There are three (3) instances in which flooding could occur in the District: (1) an overtopping of the levee, (2) a failure (or breach) of the levee system or (3) localized rainfall in excess of the 100-year event.

An overtopping of the levee could occur if the Brazos River or its tributaries reach flood stages higher than the 100-year event. The "100-year event" means the river elevation has a statistical 1% chance of occurring in any given year. Current FEMA regulations require an earthen levee to be constructed a minimum of three (3) 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 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 "INVESTMENT CONSIDERATIONS – Extreme Weather Events."

During significant high river events in 2016, 2017, and 2018 the Brazos River eroded a portion of the riverbank 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:*** 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 (2) 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 (3) 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. See “INVESTMENT CONSIDERATIONS – Extreme Weather Events” for a description of the four (4) 100-year flood events experienced by the District since 2015.

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 District may be at greater risk of structural flooding as compared to structures with foundational slabs at a higher elevation, and some areas in SPLID may be more prone to flooding events than other areas.

**Changing Conditions:** New Atlas 14 rainfall data has begun to replace the historical rainfall data upon which the design of the Flood Protection System was based. Additional and more detailed rainfall data may be provided in the future that could cause the assumptions upon which current design standards are based to be inaccurate and cause the Flood Protection System to be insufficient to mitigate future flooding events. Further, weather and rainfall patterns are subject to a variety of environmental factors. Changing environmental conditions and changing rainfall patterns could also cause the assumptions and design standards upon which the Flood Protection System is based to be inaccurate and cause the Flood Protection System to be insufficient to mitigate future flooding events. Neither SPLID nor the District can make a prediction regarding the effect that any such future changing conditions would have on the Flood Protection System or its ability to mitigate future flooding events. See “THE FLOOD PROTECTION SYSTEM.”

### **Extreme Weather Events**

The greater Houston area has experienced four (4) 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 (4) days.

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

Hurricane Harvey produced an estimated 40 inches of rain in SPLID over a four (4)-day period, well in excess of the 100-year threshold across most of the Houston metropolitan area. Additionally, the County Judge called for a mandatory evacuation of SPLID 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 the District’s levee system and no homes in the District reported structural flooding or water damage due to Hurricane Harvey. In addition, a tornado touched down and approximately 64 homes were damaged by the tornado within SPLID, none of which were within the District.

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

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

The District is located near 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 District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District and an increase in the District’s tax rates. 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 District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from meteorological events.

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

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 within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

## **Operational Expenses**

The District is obligated to pay monthly charges to Sienna Municipal Utility District No. 5 (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 paid by the District to the Master District will be used to pay the District’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. The District’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.” The District’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 reserved to the District on the first day of the previous month by the unit cost per equivalent single-family residential connection. The monthly cost per single-family equivalent connection being charged by the Master District to the District presently is \$32.14 for water and wastewater services and \$21.50 for firefighting services. See “THE UTILITY SYSTEM.”

## **Debt Burden on Property within the District**

The entirety of the District is located within SPLID, a levee improvement district that covers approximately 9,832 acres of land. SPLID has constructed certain improvements to remove land within SPLID from the flood plain and to accommodate stormwater drainage within SPLID. As of August 1, 2023, SPLID had \$177,240,000 principal amount of unlimited tax bonds outstanding. The principal of and interest on SPLID bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property within SPLID. For the 2023 tax year, SPLID anticipates to levy a total tax rate of \$0.4125 per \$100 of assessed valuation. The combined tax rates of the District and SPLID (anticipated), which total \$1.4625 per \$100 of assessed valuation) are higher than the tax levy of many municipal utility districts in the Houston metropolitan area.

The Master District provides the Master District Facilities necessary to service the Service Area, which includes the District, and finances such facilities through the issuance of contract revenue bonds. Principal and interest on such bonds are payable from and secured by payments required of the Participants, including the District, from the 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 Master District intends to issue \$9,420,000 principal amount of contract revenue bonds for Master District System Facilities and \$8,760,000 principal amount of contract revenue bonds for Master District Road Facilities in October 2023. At the delivery of the Bonds, the Master District will have \$60,215,000 principal amount of contract revenue bonds outstanding (exclusive of the anticipated bond issues).

Contract payments by Participants and use of such proceeds by the Master District to pay debt service on the Master District’s bonds (the “Contract Revenue 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 (the “Contract Payments”) in an amount that is based upon the appraised value 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 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 system, 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 Participant will have to replenish coverage in the debt service fund.

The Master District contracts with SRMUD for water supply and wastewater treatment services. As discussed under “MASTER DISTRICT CONTRACT WITH SRMUD,” in 2009, the Master District (on behalf of the Participants) entered into a Utility Contract with SRMUD (the “Utility Contract”) wherein 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 to SRMUD 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 SRMUD. The Master District will pay monthly operations charges to SRMUD on behalf of the Participants for their pro rata share of operation and maintenance expenses. The Master District currently has purchased capacity in two (2) water plants and a wastewater treatment plant owned by SRMUD.

In May 2018, SRMUD 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 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 District 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 the Service Area, will be competitive with the tax rates of competing projects. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

### **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection procedures against a taxpayer; (c) market conditions limiting the proceeds from a foreclosure sale of taxable property; or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) 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 – District's Rights in the Event of Tax Delinquencies."

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

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

### **Marketability**

The District has no understanding (other than the initial reoffering yields) with the winning bidders for the Bonds (the "Initial Purchasers") 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 price of other bonds which are more generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

### **Bond Insurance Risk Factors**

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment

of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

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

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer and its claim paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the ratings on the Bonds insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "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 District or the Initial Purchasers have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of 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.

#### **Future Debt**

Following the issuance of the Bonds, \$317,990,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for the purpose of refunding such bonds; \$173,600,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for the purpose of refunding such bonds; and \$78,800,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing park and recreational facilities to serve the District, and for the purpose of refunding such bonds, will remain authorized and unissued; and such additional bonds as may hereafter be approved by both the Board and voters of the District. See "THE BONDS – Issuance of Additional Debt."

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

Following the issuance of the Bonds, the District will owe the Developer approximately \$34,290,000 for expenditures to construct the Utility System and approximately \$16,695,000 for expenditures to construct the Road System. In addition, the District expects to sell park bonds to pay its pro-rata share of Master District Park Facilities.

The principal amount of bonds issued to finance parks and recreational facilities may not exceed 1% of the District's taxable assessed value, however, effective June 14, 2021, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not 3% of the value of the taxable property in the District. See "THE UTILITY SYSTEM," "THE ROAD SYSTEM," and "DEVELOPMENT WITHIN THE DISTRICT."

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

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

#### **Approval of the Bonds**

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

## Environmental Regulations

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

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

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing, and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

**Air Quality Issues:** Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial, and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight (8)-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 (3) separate federal ozone standards: the one (1)-hour (124 parts per billion (“ppb”)) and eight (8)-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight (8)-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 (8)-hour ozone standard in 2015 (the “2015 Ozone Standard”). While 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” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. 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 “moderate” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. 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) stormwater 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 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) ("CGP"), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

The District, along with SRMUD, SMUD2, SMUD3, SMUD4, SMUD10, SMUD12, and SMD, is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

Operations of utility districts, including the 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.

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of "waters of the United States" and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, "waters of the United States" includes only geographical features that are described in ordinary parlance as "streams, oceans, rivers, and lakes" and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection.

While the *Sackett* decision removed a great deal of uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the Participants, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

### **Changes in Tax Legislation**

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

## **LEGAL MATTERS**

### **Legal Opinions**

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of Texas, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, 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; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations.

Bond Counsel has reviewed the information appearing under "THE BONDS" (except for information under the subheadings "Book-Entry-Only System," "Use and Distribution of System Bond Proceeds," and "Use and Distribution of Road Bond Proceeds"), "THE DISTRICT – Authority," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein and conforms to the provisions of the Bond Resolutions approving the Bonds. Bond Counsel has not, however,

independently verified any of the factual information contained herein nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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

#### **No-Litigation Certificate**

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

#### **No Material Adverse Change**

The obligations of the Initial Purchasers to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated herein, 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; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Code) for the purpose of determining the alternative minimum tax imposed on corporations.

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

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

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

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

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may

be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

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

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

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

In the event of the redemption, sale, or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under "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 this Official Statement.)

The foregoing is based on the assumptions that (a) the Initial Purchasers have 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 inside cover, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six (6)-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each such six (6)-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 District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB established the Electronic Municipal Market Access ("EMMA") system.

### **Annual Reports**

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

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included under "DISTRICT DEBT" (except under the subheadings "Estimated Direct and Overlapping Debt Statement"), "TAX DATA," and "APPENDIX B." The District will update and provide this information within six (6) months after the end of each of its fiscal years ending in or after 2023. The District will provide the updated information to EMMA.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to Texas law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six (6) month period, and audited financial statements when the audit report becomes available.

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

### **Event Notices**

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

### **Availability of Information from EMMA**

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

### **Limitations and Amendments**

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results, operations, conditions, or prospects or to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to

invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although registered owners and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond 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 or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchasers from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement discussed under "CONTINUING DISCLOSURE OF INFORMATION – 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**

To date, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

## **OFFICIAL STATEMENT**

### **General**

The information contained herein has been obtained primarily from the District's records, the Engineer, the Developer, the Tax Assessor/Collector, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. All of the summaries of the statutes, resolutions, orders, contracts, audits, and engineering and other related reports set forth herein 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 for further information.

The District's financial statements for the fiscal year ended July 31, 2022, were audited by the Auditor and are attached hereto as "APPENDIX B." The Auditor has consented to the publication of such financial statements herein.

### **Experts**

The information contained herein relating to engineering and to the description of the Utility System, and, in particular, that engineering information included under "THE BONDS – Use and Distribution of System Bond Proceeds," "THE BONDS – Use and Distribution of Road Bond Proceeds," "THE DISTRICT – Description," and "THE FLOOD PROTECTION SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information included under "THE UTILITY SYSTEM," as it relates to "Water Supply" and "Wastewater Treatment," and that engineering information included under "THE ROAD SYSTEM," has been provided by Costello, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained herein relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations included under "TAX DATA" and "DISTRICT DEBT" was provided by the Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

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

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

**Updating of Official Statement**

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

**CONCLUDING STATEMENT**

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

This Official Statement was approved by the Board of Directors of Sienna Municipal Utility District No. 6 as of the date shown on the cover.

/s/ Jason Miller  
President, Board of Directors  
Sienna Municipal Utility District No. 6

ATTEST:

/s/ Linda Noyd  
Secretary, Board of Directors  
Sienna Municipal Utility District No. 6

**APPENDIX A**  
**Aerial Photograph of the District**



**APPENDIX B**  
**Financial Statements of the District**



EXHIBIT B

**SIENNA MUNICIPAL  
UTILITY DISTRICT NO. 6  
FORT BEND COUNTY, TEXAS  
FINANCIAL REPORT  
July 31, 2022**

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# McGRATH & CO., PLLC

*Certified Public Accountants*

2900 North Loop West, Suite 880

Houston, Texas 77092

## Independent Auditor's Report

Board of Directors  
Sienna Municipal Utility District No. 6  
Fort Bend County, Texas

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sienna Municipal Utility District No. 6 (the "District"), as of and for the fifteen-month period ended July 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 Municipal Utility District No. 6, as of July 31, 2022, and the respective changes in financial position thereof for the fifteen-month period then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied

*Board of Directors  
Sienna Municipal Utility District No. 6  
Fort Bend County, Texas*

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.

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



Houston, Texas  
November 15, 2022

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

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***Sienna Municipal Utility District No. 6  
Management's Discussion and Analysis  
July 31, 2022***

**Using this Annual Report**

Within this section of the financial report of Sienna 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 fifteen-month period ended July 31, 2022. This current period is for fifteen months because the District's fiscal year end was changed from April 30 to July 31 in August 2021. This analysis should be read in conjunction with the independent auditor's 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 Municipal Utility District No. 6  
Management's Discussion and Analysis  
July 31, 2022***

The *Statement of Activities* reports how the District's net position has changed during the fifteen-month period. 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 fifteen-month period. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

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

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

The District's net position at July 31, 2022, was negative \$21,920,622. The District's net position is negative because the District incurs debt to construct public roads which it conveys to Fort Bend County. A comparative summary of the District's overall financial position, as of July 31, 2022 and April 30, 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 1,777,010	\$ 893,247
Capital assets	26,630,651	11,508,796
Total assets	<u>28,407,661</u>	<u>12,402,043</u>
Current liabilities	701,053	268,454
Long-term liabilities	49,627,230	21,805,957
Total liabilities	<u>50,328,283</u>	<u>22,074,411</u>
Net position		
Net investment in capital assets	(2,092,448)	(791,930)
Restricted	584,256	272,634
Unrestricted	<u>(20,412,430)</u>	<u>(9,153,072)</u>
Total net position	<u>\$ (21,920,622)</u>	<u>\$ (9,672,368)</u>

***Sienna Municipal Utility District No. 6  
Management's Discussion and Analysis  
July 31, 2022***

The total net position of the District decreased during the current fiscal fifteen-month period by \$12,248,254. A comparative summary of the District's *Statement of Activities* for the past two periods is as follows:

	<u>2022*</u>	<u>2021</u>
Revenues		
Property taxes, penalties and interest	\$ 851,281	\$ 355,197
Water and sewer service	672,612	127,659
Other	1,949,992	713,870
Total revenues	<u>3,473,885</u>	<u>1,196,726</u>
Expenses		
Current service operations	1,803,823	730,129
Debt interest and fees	309,641	78,087
Developer interest	249,482	99,569
Debt issuance costs	563,417	438,213
Intergovernmental	1,000,385	272,282
Depreciation	592,550	255,817
Total expenses	<u>4,519,298</u>	<u>1,874,097</u>
Change in net position before other item	(1,045,413)	(677,371)
Other item		
Transfers to other governments	<u>(11,202,841)</u>	<u>(7,243,038)</u>
Change in net position	(12,248,254)	(7,920,409)
Net position, beginning of year	<u>(9,672,368)</u>	<u>(1,751,959)</u>
Net position, end of year	<u><u>\$ (21,920,622)</u></u>	<u><u>\$ (9,672,368)</u></u>
* Fifteen-month period		

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

The District's combined fund balances, as of July 31, 2022, were \$1,353,239, which consists of \$613,242 in the General Fund, \$706,928 in the Debt Service Fund and \$33,069 in the Capital Projects Fund.

***Sienna Municipal Utility District No. 6  
Management's Discussion and Analysis  
July 31, 2022***

*General Fund*

A comparative summary of the General Fund's financial position as of July 31, 2022 and April 30, 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Total assets	<u>\$ 1,029,726</u>	<u>\$ 574,856</u>
Total liabilities	\$ 416,094	\$ 244,550
Total deferred inflows	390	1,466
Total fund balance	<u>613,242</u>	<u>328,840</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,029,726</u>	<u>\$ 574,856</u>

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

	<u>2022</u>	<u>2021</u>
Total revenues	\$ 2,671,689	\$ 874,679
Total expenditures	<u>(2,387,287)</u>	<u>(816,590)</u>
Net change in fund balance	<u>\$ 284,402</u>	<u>\$ 58,089</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, fire protection services and tap connection fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and 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.
- Fire protection revenues fluctuate based on the number of connections in the District each month.
- Tap connection fees fluctuate with homebuilding activity within the District

***Sienna Municipal Utility District No. 6  
Management's Discussion and Analysis  
July 31, 2022***

*Debt Service Fund*

A comparative summary of the Debt Service Fund's financial position as of July 31, 2022 and April 30, 2021, is as follows:

	2022	2021
Total assets	<u>\$ 714,215</u>	<u>\$ 296,538</u>
Total deferred inflows	\$ 7,287	\$ 15,624
Total fund balance	<u>706,928</u>	<u>280,914</u>
Total deferred inflows and fund balance	<u>\$ 714,215</u>	<u>\$ 296,538</u>

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

	2022	2021
Total revenues	\$ 811,348	\$ 304,789
Total expenditures	<u>(529,718)</u>	<u>(167,298)</u>
Revenues over expenditures	281,630	137,491
Other changes in fund balance	<u>144,384</u>	<u>143,423</u>
Net change in fund balance	<u>\$ 426,014</u>	<u>\$ 280,914</u>

The District's financial resources in the Debt Service Fund in both the current fifteen-month period 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 period. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

*Capital Projects Fund*

A comparative summary of the Capital Projects Fund's financial position as of July 31, 2022 and April 30, 2021, is as follows:

	2022	2021
Total assets	<u>\$ 33,069</u>	<u>\$ 21,853</u>
Total fund balance	<u>\$ 33,069</u>	<u>\$ 21,853</u>

***Sienna Municipal Utility District No. 6  
Management's Discussion and Analysis  
July 31, 2022***

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

	2022	2021
Total revenues	\$ 262	\$ 168
Total expenditures	<u>(6,162,662)</u>	<u>(5,334,892)</u>
Revenues under expenditures	(6,162,400)	(5,334,724)
Other changes in fund balance	<u>6,173,616</u>	<u>5,356,577</u>
Net change in fund balance	<u>\$ 11,216</u>	<u>\$ 21,853</u>

The District has had considerable capital asset activity in the last two periods, which was financed with proceeds from the issuance of its Series 2021 Unlimited Tax Bonds and Series 2021 Unlimited Tax Road Bonds in the current fifteen-month period and the sale of its Series 2020 Unlimited Tax Road 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 period. The Board amended the budget during the fifteen-month period to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$253,151 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.

***Sienna Municipal Utility District No. 6  
Management's Discussion and Analysis  
July 31, 2022***

Capital assets held by the District at July 31, 2022 and April 30, 2021 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Capital assets not being depreciated		
Land and improvements	<u>\$ 918,185</u>	<u>\$ 356,663</u>
Capital assets being depreciated		
Infrastructure	26,664,669	11,511,786
Less accumulated depreciation	<u>(952,203)</u>	<u>(359,653)</u>
Depreciable capital assets, net	<u>25,712,466</u>	<u>11,152,133</u>
Capital assets, net	<u><u>\$ 26,630,651</u></u>	<u><u>\$ 11,508,796</u></u>

Capital asset additions during the current fifteen-month period include the following:

- Sienna, Sections 29A, 29B, 30, 33C, 33D, 34B, 36, 37, 38, 39A, 40B, 41,42 43 and 48 – utilities
- Heritage Park Bridge over Channel 3 – utilities
- Heritage Park, phase 3 – utilities
- Sienna Oaks, phase 2 – utilities
- Sienna, Sections 29B, 36, 37, 38 and 43 – clearing and grubbing
- Sienna, Sections 44, 46, 49, 52, 53, 39B, Crescent Spring Drive, Waters Lake Blvd, phase 5 and Heritage Park Drive, phase 4 and Waters Lake, phase 4 – clearing and grubbing

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 fifteen-month period ended July 31, 2022, capital assets in the amount of \$11,202,841 have been recorded as transfers to other governments in the government-wide statements.

**Long-Term Debt and Related Liabilities**

As of July 31, 2022, the District owes approximately \$37,812,230 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 6, the District has an additional commitment in the amount of \$26,395,082 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.

***Sienna Municipal Utility District No. 6  
Management's Discussion and Analysis  
July 31, 2022***

At July 31, 2022 and April 30, 2021, the District had total bonded debt outstanding as shown below:

<u>Series</u>	<u>2022</u>	<u>2021</u>
2020 Road	\$ 5,500,000	\$ 5,500,000
2021	3,800,000	
2021 Road	2,670,000	
	<u>\$ 11,970,000</u>	<u>\$ 5,500,000</u>

During the current fifteen-month period, the District issued \$6,470,000 in unlimited tax bonds. At July 31, 2022, the District had \$343,200,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$78,800,000 for parks and recreational facilities and the refunding of such bonds and \$191,330,000 for road improvements and the refunding of such bonds.

**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 fifteen-month actual amounts for the General Fund is as follows:

	<u>2022 Actual</u>	<u>2023 Budget</u>
Total revenues	\$ 2,671,689	\$ 3,203,211
Total expenditures	(2,387,287)	(2,688,285)
Revenues over expenditures	284,402	514,926
Beginning fund balance	328,840	613,242
Ending fund balance	<u>\$ 613,242</u>	<u>\$ 1,128,168</u>

**Property Taxes**

The District's property tax base increased approximately \$174,780,000 for the 2022 tax year from \$79,358,115 to \$254,138,175. This increase was primarily due to new construction in the District. For the 2022 tax year, the District has levied a maintenance tax rate of \$0.04 per \$100 of assessed value, a water, sewer and drainage debt service tax rate of \$0.32 per \$100 of assessed value, a contract tax debt service rate of \$0.33 per \$100 of assessed value and a road debt service tax rate of \$0.36 per \$100 of assessed value, for a total combined tax rate of \$1.05 per \$100. Tax rates for the 2021 tax year were \$0.05 per \$100 for maintenance and operations, \$0.185 per \$100 for water, sewer and drainage debt service, \$0.39 per \$100 for contract tax debt service and \$0.425 per \$100 for road debt service for a combined total of \$1.05 per \$100 of assessed value.



## **Basic Financial Statements**

**Sienna Municipal Utility District No. 6**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**July 31, 2022**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 244,979	\$ 12,133	\$ 380	\$ 257,492	\$ -	\$ 257,492
Investments	481,670	694,989	78,314	1,254,973		1,254,973
Taxes receivable	390	7,287		7,677		7,677
Customer service receivables	179,763			179,763		179,763
Prepaid items	3,019			3,019		3,019
Internal balances	45,819	(194)	(45,625)			
Builder damages receivable	14,878			14,878		14,878
Other receivables	1,409			1,409		1,409
Operating reserve	57,799			57,799		57,799
Capital assets not being depreciated					918,185	918,185
Capital assets, net					25,712,466	25,712,466
<b>Total Assets</b>	<b>\$ 1,029,726</b>	<b>\$ 714,215</b>	<b>\$ 33,069</b>	<b>\$ 1,777,010</b>	<b>26,630,651</b>	<b>28,407,661</b>
<b>Liabilities</b>						
Accounts payable	\$ 381,915	\$ -	\$ -	\$ 381,915		381,915
Other payables	1,759			1,759		1,759
Customer deposits	9,875			9,875		9,875
Unearned revenue	22,545			22,545		22,545
Accrued interest payable					129,959	129,959
Due to developers					37,812,230	37,812,230
Long-term debt						
Due within one year					155,000	155,000
Due after one year					11,815,000	11,815,000
<b>Total Liabilities</b>	<b>416,094</b>			<b>416,094</b>	<b>49,912,189</b>	<b>50,328,283</b>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	390	7,287		7,677	(7,677)	
<b>Fund Balance/Net Position</b>						
<b>Fund Balance</b>						
Nonspendable	60,818			60,818	(60,818)	
Restricted		706,928	33,069	739,997	(739,997)	
Unassigned	552,424			552,424	(552,424)	
<b>Total Fund Balance</b>	<b>613,242</b>	<b>706,928</b>	<b>33,069</b>	<b>1,353,239</b>	<b>(1,353,239)</b>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,029,726</b>	<b>\$ 714,215</b>	<b>\$ 33,069</b>	<b>\$ 1,777,010</b>		
<b>Net Position</b>						
Net investment in capital assets					(2,092,448)	(2,092,448)
Restricted for debt service					584,256	584,256
Unrestricted					(20,412,430)	(20,412,430)
<b>Total Net Position</b>					<b>\$ (21,920,622)</b>	<b>\$ (21,920,622)</b>

See notes to basic financial statements.

**Sienna Municipal Utility District No. 6**  
**Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances**  
**For the Fifteen-Month Period Ended July 31, 2022**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Water service	\$ 314,177	\$ -	\$ -	\$ 314,177	\$ -	\$ 314,177
Sewer service	358,435			358,435		358,435
Property taxes	40,616	799,550		840,166	(8,771)	831,395
Penalties and interest	11,987	8,542		20,529	(643)	19,886
Surface water fees	256,450			256,450		256,450
Tap connection and inspection	1,376,466			1,376,466		1,376,466
Fire protection fees	280,940			280,940		280,940
Miscellaneous	30,642	240		30,882		30,882
Investment earnings	1,976	3,016	262	5,254		5,254
<b>Total Revenues</b>	<b>2,671,689</b>	<b>811,348</b>	<b>262</b>	<b>3,483,299</b>	<b>(9,414)</b>	<b>3,473,885</b>
<b>Expenditures/Expenses</b>						
Current service operations						
Professional fees	152,592		90,295	242,887		242,887
Contracted services	659,939	21,617		681,556		681,556
Repairs and maintenance	504,704			504,704		504,704
Surface water	260,764			260,764		260,764
Administrative	68,217	1,896		70,113		70,113
Other	40,024	3,280	495	43,799		43,799
Capital outlay			5,258,973	5,258,973	(5,258,973)	
Debt service						
Interest and fees		203,587		203,587	106,054	309,641
Developer interest			249,482	249,482		249,482
Debt issuance costs			563,417	563,417		563,417
Intergovernmental						
Master District connection charges	394,229			394,229		394,229
Facilities renewal and replacement	25,060			25,060		25,060
Fire protection services	281,758			281,758		281,758
Contractual obligations		299,338		299,338		299,338
Depreciation					592,550	592,550
<b>Total Expenditures/Expenses</b>	<b>2,387,287</b>	<b>529,718</b>	<b>6,162,662</b>	<b>9,079,667</b>	<b>(4,560,369)</b>	<b>4,519,298</b>
<b>Revenues Over/(Under) Expenditures/Expenses</b>	<b>284,402</b>	<b>281,630</b>	<b>(6,162,400)</b>	<b>(5,596,368)</b>	<b>4,550,955</b>	<b>(1,045,413)</b>
<b>Other Financing Sources/(Uses)</b>						
Proceeds from sale of bonds		144,384	6,325,616	6,470,000	(6,470,000)	
Repayment of developer advances			(152,000)	(152,000)	152,000	
<b>Other Item</b>						
Transfers to other governments					(11,202,841)	(11,202,841)
<b>Net Change in Fund Balance</b>	<b>284,402</b>	<b>426,014</b>	<b>11,216</b>	<b>721,632</b>	<b>(721,632)</b>	
<b>Change in Net Position</b>					<b>(12,248,254)</b>	<b>(12,248,254)</b>
Fund Balance/Net Position						
Beginning of the year	328,840	280,914	21,853	631,607	(10,303,975)	(9,672,368)
<b>End of the year</b>	<b>\$ 613,242</b>	<b>\$ 706,928</b>	<b>\$ 33,069</b>	<b>\$ 1,353,239</b>	<b>\$ (23,273,861)</b>	<b>\$ (21,920,622)</b>

See notes to basic financial statements.

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*Sienna Municipal Utility District No. 6*  
*Notes to Financial Statements*  
*July 31, 2022*

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

The accounting policies of Sienna 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 as Sienna Plantation Municipal Utility District No. 6 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 October 7, 2020, the District obtained approval from the TCEQ to change the name of the District to Sienna Municipal Utility District No. 6.

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.

**Change in Fiscal Year End**

On August 17, 2021, the Board of Directors adopted a resolution changing the District’s fiscal year end from April 30 to July 31.

**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 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 and drainage 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.

**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 period 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.

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At July 31, 2022, 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 period-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.

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

**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 \$50,000 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.

At the fund level, property taxes receivable not collected within 60 days of fiscal period 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.



**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 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'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 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 Municipal Utility District No. 6*  
*Notes to Financial Statements*  
*July 31, 2022*

**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		\$ 1,353,239
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
Historical cost	\$ 27,582,854	
Less accumulated depreciation	<u>(952,203)</u>	
Change due to capital assets		26,630,651
<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	(11,970,000)	
Interest payable on bonds	<u>(129,959)</u>	
Change due to long-term debt		(12,099,959)
<p>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>.</p>		
		(37,812,230)
<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>		
		7,677
Total net position - governmental activities		<u><u>\$ (21,920,622)</u></u>

*Sienna Municipal Utility District No. 6*  
*Notes to Financial Statements*  
*July 31, 2022*

**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 \$ 721,632

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. (9,414)

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	\$ 5,258,973	
Depreciation expense	(592,550)	
	4,666,423	4,666,423

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	(6,470,000)	
Interest expense accrual	(106,054)	
	(6,576,054)	(6,576,054)

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 *Statement of Activities*, these amounts are reported as transfers to other governments. (11,202,841)

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*. 152,000

Change in net position of governmental activities \$ (12,248,254)

### **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.

#### **Restricted Cash**

During the current fifteen-month period, the District used surplus funds in the amount of \$202,971 from the Series 2021 Unlimited Tax Bonds to reimburse the developer for capital assets constructed within the District.

#### **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 Municipal Utility District No. 6*  
*Notes to Financial Statements*  
*July 31, 2022*

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

**Investments (continued)**

As of July 31, 2022, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 481,670	AAAm	24 days
	Debt Service	694,989		
	Capital Projects	78,314		
		\$ 1,254,973		

**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.

*Sienna Municipal Utility District No. 6*  
*Notes to Financial Statements*  
*July 31, 2022*

**Note 4 – Interfund Balances and Transactions**

Amounts due to/from other funds at July 31, 2022, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 194	Debt service tax collections not remitted as of year end
General Fund	Capital Projects Fund	45,625	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 fifteen-month period ended July 31, 2022, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 356,663	\$ 561,522	\$ 918,185
Capital assets being depreciated			
Infrastructure	11,511,786	15,152,883	26,664,669
Less accumulated depreciation	(359,653)	(592,550)	(952,203)
Subtotal depreciable capital assets, net	11,152,133	14,560,333	25,712,466
Capital assets, net	<u>\$ 11,508,796</u>	<u>\$ 15,121,855</u>	<u>\$ 26,630,651</u>

Depreciation expense for the current fifteen-month period was \$592,550.

**Note 6 – Due to Developers**

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, 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.

*Sienna Municipal Utility District No. 6*  
*Notes to Financial Statements*  
*July 31, 2022*

**Note 6 – Due to Developers (continued)**

Changes in the estimated amounts due to developers during the fifteen-month period are as follows:

Due to developers, beginning of fifteen-month period	\$ 16,305,957
Developer reimbursements	(5,258,973)
Developer funded construction and adjustments	26,917,246
Repayment of operating advances	(152,000)
Due to developers, end of fifteen-month period	<u>\$ 37,812,230</u>

In addition, the District will owe the developers approximately \$26,395,082, 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.

Project	Contract Amount
Section 39B - utilities	\$ 822,480
Section 39B - paving	725,037
Section 44 - utilities	2,266,576
Section 44 - paving	1,153,601
Section 46 - utilities	1,853,780
Section 46 - paving	1,355,283
Section 49 - utilities	1,321,312
Section 49 - paving	1,052,431
Section 52 - utilities	1,468,228
Section 53 - utilities	1,212,984
Section 53 - paving	815,225
Section 55 - utilities	4,601,000
Section 55 - paving	2,859,333
Section 66 - utilities	1,288,936
Sections 55, 57, 60, 63, 64, 66, 69, and Sienna Oaks Lake, phase 2 - clearing and grubbing	497,380
Sections 59, 62 and 68 - clearing and grubbing	603,000
Heritage Park Drive:	
Water Lake Blvd, phase 4 - utilities	1,009,202
Crescent Spring Drive - utilities	760,885
Crescent Spring Drive - paving	728,409
	<u>\$ 26,395,082</u>

**Sienna Municipal Utility District No. 6**  
**Notes to Financial Statements**  
**July 31, 2022**

**Note 7 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 11,970,000</u>
Due within one year	<u>\$ 155,000</u>

The District’s bonds payable at July 31, 2022, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2020 Road	\$ 5,500,000	\$ 5,500,000	1.60% - 3.00%	September 1, 2022 - 2045	March 1, September 1	September 1, 2026
2021	3,800,000	3,800,000	2.125% - 4.625%	September 1, 2023 - 2046	March 1, September 1	September 1, 2026
2021 Road	2,670,000	2,670,000	2.125% - 4.625%	September 1, 2023 - 2046	March 1, September 1	September 1, 2026
	<u>\$ 11,970,000</u>					

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

At July 31, 2022, the District had \$343,200,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$78,800,000 for parks and recreational facilities and the refunding of such bonds and \$191,330,000 for road improvements and the refunding of such bonds.

On October 21, 2021, the District issued its \$3,800,000 Series 2021 Unlimited Tax Bonds at a net effective interest rate of 2.542427%. Proceeds of the bonds were used to reimburse developers for the following: the construction of capital assets within the District; engineering, clearing and grubbing, and other costs associated with the construction of capital assets; operating advances; and creation costs, pay developer interest at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

Additionally, on October 21, 2021, the District issued its \$2,670,000 Series 2021 Unlimited Tax Road Bonds at a net effective interest rate of 2.562564%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds.



*Sienna Municipal Utility District No. 6*  
*Notes to Financial Statements*  
*July 31, 2022*

**Note 7 – Long-Term Debt (continued)**

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

Bonds payable, beginning of fifteen-month period	\$	5,500,000
Bonds issued		6,470,000
Bonds payable, end of fifteen-month period	\$	<u>11,970,000</u>

As of July 31, 2022, annual debt service requirements on bonds outstanding are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 155,000	\$ 306,557	\$ 461,557
2024	355,000	299,448	654,448
2025	365,000	287,468	652,468
2026	375,000	275,003	650,003
2027	385,000	262,041	647,041
2028	395,000	251,351	646,351
2029	405,000	242,986	647,986
2030	425,000	234,118	659,118
2031	435,000	224,733	659,733
2032	445,000	214,926	659,926
2033	460,000	204,624	664,624
2034	475,000	193,765	668,765
2035	490,000	182,342	672,342
2036	505,000	170,389	675,389
2037	520,000	157,882	677,882
2038	530,000	144,866	674,866
2039	550,000	131,094	681,094
2040	565,000	116,581	681,581
2041	580,000	101,597	681,597
2042	600,000	85,947	685,947
2043	620,000	69,647	689,647
2044	640,000	52,810	692,810
2045	655,000	35,494	690,494
2046	675,000	17,699	692,699
2047	365,000	4,332	369,332
	<u>\$ 11,970,000</u>	<u>\$ 4,267,700</u>	<u>\$ 16,237,700</u>

*Sienna Municipal Utility District No. 6*  
*Notes to Financial Statements*  
*July 31, 2022*

**Note 8 – 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’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2022 fifteen-month fiscal period was financed through the 2021 tax levy, pursuant to which the District levied property taxes of \$1.05 per \$100 of assessed value, of which \$0.05 per \$100 for maintenance and operations, \$0.185 per \$100 for debt service, \$0.39 per \$100 for contract tax debt service and \$0.425 per \$100 for road debt service. The resulting tax levy was \$833,260 on the adjusted taxable value of \$79,358,115.

Property taxes receivable, at July 31, 2022, consisted of the following:

Current year taxes receivable	\$ 6,626
Penalty and interest receivable	1,051
Property taxes receivable	<u>\$ 7,677</u>

**Note 9 – 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 developer is subsequently reimbursed. For the fifteen-month period ended July 31, 2022, the District recorded transfers to other governments in the amount of \$11,202,841 for road facilities constructed by a developer within the District.

*Sienna Municipal Utility District No. 6*  
*Notes to Financial Statements*  
*July 31, 2022*

**Note 10 – Contracts with Sienna Regional Municipal District**

Sienna 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 Regional Municipal District (Sienna RM) in 2006 (the “Sienna RM Regional Contract”). The Sienna RM Regional Contract includes other participating districts that are not part of the Master District service area. Pursuant to this contract, Sienna RM has the authority to construct and acquire regional water, wastewater and park facilities. The participants in the Sienna RM Regional Contract pay a connection charge to Sienna RM based on its pro rata share of the regional facilities in order to obtain water and wastewater service. The participants in the Sienna RM Regional Contract also pay monthly operation charges to Sienna RM for their pro rata share of operation and maintenance expenses. Sienna RM has limited authority to issue contract revenue bonds: Sienna RM 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 Sienna RM with for the purposes of amending and supplementing the Sienna RM 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, drainage, road and park 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 Sienna RM 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 Sienna RM. The Master District will pay monthly operations charges to Sienna RM 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 water and wastewater plants owned by Sienna RM and receives surface water from the City of Missouri City.

*Sienna RM Debt*

Sienna RM is authorized to issue bonds for the limited purpose of acquiring and constructing certain facilities needed to provide services to Sienna. The Master District shall be obligated to contribute to the payment of Sienna RM’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 prorata share based on assessed values in each district.

On May 29, 2018, Sienna RM 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 is funded through annual payments to Sienna RM by the Master District.

*Sienna Municipal Utility District No. 6*  
*Notes to Financial Statements*  
*July 31, 2022*

**Note 10 – Contracts with Sienna Regional Municipal District (continued)**

As of July 31, 2022, Sienna RM has \$23,970,000 in contract revenue bonds outstanding and the Master District’s share of said bonds is \$12,695,000. Principal payments on these bonds will begin in the Master District’s 2025 fiscal year. Sienna RM bills the Master District in January of each year for Sienna RM’s debt service payments for that calendar year. During the current fiscal fifteen-month period, the Master District paid \$287,691 to Sienna RM for Sienna RM’s 2022 debt service requirements. The Master District’s future annual obligation to Sienna RM for Sienna RM’s debt service requirements (principal and interest) for each of the next five years and in five-year increments thereafter is as follows:

<u>Year</u>	<u>Total</u>
2023	\$ 287,691
2024	677,691
2025	681,295
2026	679,415
2027	677,085
2028-2032	3,396,125
2033-2037	3,393,376
2038-2042	3,397,676
2043-2047	3,389,080
2048	681,559
	<u>\$ 17,260,993</u>

*Joint Construction Agreement for Fire Facilities*

Sienna RM and the City entered into a fire protection agreement which establishes the terms and conditions for the construction of fire facilities to serve Sienna. The cost of the facilities was paid by the internal Sienna Districts served by the fire station on a pro-rata basis. Sienna RM and Sienna Municipal Utility District Nos. 2 and 3 contributed their pro-rata shares of the costs to Sienna RM. The District and Sienna Municipal Utility District Nos. 4, 5 and Sienna Municipal Utility District 7 (Sienna South Districts) received a loan from Sienna Municipal Utility District No. 3 (MUD 3) to fund their pro-rata share. MUD 3 advanced \$2,076,000 to Sienna RM for the construction of the fire facilities.

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

***Sienna Municipal Utility District No. 6***  
***Notes to Financial Statements***  
***July 31, 2022***

**Note 10 – Contracts with Sienna Regional Municipal District (continued)**

*Fire Protection Services*

On June 25, 2015, Sienna RM entered into the Operations Agreement for Fire Protection Services for Sienna (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 and will be reimbursed for the cost of providing those services. Pursuant to the Operations Agreement, Sienna RM pays the City each month for one-twelfth the annual operating and capital costs of providing fire protection services. The City recalculates 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 Sienna RM for its pro-rata share of operating costs and capital costs. As of July 31, 2022, the monthly charge is \$21.50 per connection.

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

On May 13, 2013 the District, along with Sienna Municipal Utility District No. 4, Sienna Municipal Utility District No. 7, and Sienna 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 Sienna RM, the water, wastewater and drainage facilities will be conveyed to Sienna RM for Sienna RM 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. During the current fifteen-month period, the Master District issued \$16,525,000 in Contract Revenue Bonds. As of July 31, 2022, the Master District has \$52,135,000 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 July 31, 2022, the District has not paid any such connection charges.

*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 Sienna RM, pursuant to the Utility Contract.

*Sienna Municipal Utility District No. 6*  
*Notes to Financial Statements*  
*July 31, 2022*

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

*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 July 31, 2022, the District has paid \$57,799 to the Master District for its share of the operating and maintenance reserve.

*Summary of Charges*

For the fifteen-month period ended July 31, 2022, the District incurred the following costs pursuant to contracts with the Master District and Sienna RM:

- Monthly connection fees in the amount of \$394,229;
- Monthly charges in the amount of \$25,060 for Sienna RM's renewal and replacement fund, which was established by Sienna RM to provide funding to repair and replace aging Sienna RM facilities;
- Monthly charges for fire protection services in the amount of \$281,758; and
- Contractual obligations for debt service requirements in the amount of \$299,338, which consists of \$271,647 for Master District bonds and \$27,691 for the Master District's share of Sienna RM's contract revenue bonds.

**Note 12 – Agreements with City of Missouri City**

The developer in Sienna South (land included in MUDs 4, 5, 6 & 7) has entered into the Sienna 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 South, establishes certain restrictions and commitments related to the development of Sienna South, sets forth detailed design and construction standards, stipulates a formula for determining the time of annexation of land within Sienna South by the City and identifies and establishes a master plan for the development of Sienna South. The development of all land within Sienna 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. On October 5, 2020, the agreement was amended to authorize the annexation of the District for the sole, and limited purpose of providing fire protection services and to establish the City as the sole provider of such services to the District.

**Note 12 – Agreements with City of Missouri City (continued)**

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.

**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 fifteen-month period or the three prior years.

**Note 14 – Subsequent Event**

On October 20, 2022, the District issued its \$14,790,000 Series 2022 Unlimited Tax Bonds at a net effective rate of 4.840050%. Proceeds from the bonds were used to reimburse the District's developers for operating advances, infrastructure improvements in the District and to add capitalized interest into the District's Debt Service Fund.

Additionally, on October 20, 2022, the District issued its \$12,885,000 Series 2022 Unlimited Tax Road Bonds at a net effective rate of 4.820822%. Proceeds from the bonds were used to reimburse the District's developers for infrastructure improvements in the District.

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## **Required Supplementary Information**

**Sienna Municipal Utility District No. 6**

**Required Supplementary Information - Budgetary Comparison Schedule - General Fund**

**For the Fifteen-Month Period Ended July 31, 2022**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Water service	\$ 113,658	\$ 300,635	\$ 314,177	\$ 13,542
Sewer service	108,148	286,061	358,435	72,374
Property taxes	32,695	30,404	40,616	10,212
Penalties and interest	1,500	6,000	11,987	5,987
Tap connection and inspection	602,630	1,510,963	1,376,466	(134,497)
Fire protection fees	140,739	234,071	280,940	46,869
Surface water fees	88,878	256,555	256,450	(105)
Miscellaneous	2,500	5,700	30,642	24,942
Investment earnings	420	65	1,976	1,911
Total Revenues	<u>1,091,168</u>	<u>2,630,454</u>	<u>2,671,689</u>	<u>41,235</u>
<b>Expenditures</b>				
Current service operations				
Professional fees	107,500	119,500	152,592	(33,092)
Contracted services	391,600	1,235,813	659,939	575,874
Repairs and maintenance	100,750	254,000	504,704	(250,704)
Surface water	88,878	256,555	260,764	(4,209)
Administrative	25,150	37,150	68,217	(31,067)
Other	11,250	37,650	40,024	(2,374)
Intergovernmental				
Master District connection charges	125,135	398,911	394,229	4,682
Facilities renewal and replacement	5,924	25,553	25,060	493
Fire protection services	140,739	234,071	281,758	(47,687)
Total Expenditures	<u>996,926</u>	<u>2,599,203</u>	<u>2,387,287</u>	<u>211,916</u>
<b>Revenues Over Expenditures</b>	94,242	31,251	284,402	253,151
<b>Fund Balance</b>				
Beginning of the year	328,840	328,840	328,840	
<b>End of the year</b>	<u>\$ 423,082</u>	<u>\$ 360,091</u>	<u>\$ 613,242</u>	<u>\$ 253,151</u>

*Sienna Municipal Utility District No. 6*  
*Notes to Required Supplementary Information*  
*July 31, 2022*

**Budgets and Budgetary Accounting**

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the fifteen-month period to reflect changes in anticipated revenues and expenditures.

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## **Texas Supplementary Information**

**Sienna Municipal Utility District No. 6**  
**TSI-1. Services and Rates**  
**July 31, 2022**

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

- 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

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:	\$ 2.51	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 \$ 69.95      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"	479	479	x 1.0	479
1"	567	562	x 2.5	1,405
1.5"			x 5.0	
2"	33	33	x 8.0	264
3"			x 15.0	
4"	1	1	x 25.0	25
6"			x 50.0	
8"	2	2	x 80.0	160
10"			x 115.0	
Total Water	1,082	1,077		2,333
Total Wastewater	1,027	1,022	x 1.0	1,022

See accompanying auditor's report.

**Sienna Municipal Utility District No. 6**  
**TSI-1. Services and Rates**  
**July 31, 2022**

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

Gallons purchased from Sienna Regional MUD:	<u>126,604,700</u>	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>126,604,700</u>	<u>100.00%</u>

4. Standby Fees (authorized only under TWC Section 49.231):

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

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 (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 Municipal Utility District No. 6*  
*TSI-2 General Fund Expenditures*  
*For the Fifteen-Month Period Ended July 31, 2022*

Professional fees	
Legal	\$ 113,495
Audit	11,000
Engineering	28,097
	<u>152,592</u>
Contracted services	
Bookkeeping	45,260
Operator	27,026
Garbage collection	93,205
Tap connection and inspection	456,691
Appraisal district fees	2,117
Tax collection fees	4,132
Sludge removal	31,508
	<u>659,939</u>
Repairs and maintenance	<u>504,704</u>
Surface water	<u>260,764</u>
Administrative	
Directors fees	11,550
Printing and office supplies	11,029
Insurance	3,019
Other	42,619
	<u>68,217</u>
Other	<u>40,024</u>
Intergovernmental	
Master District connection charges	394,229
Facilities renewal and replacement	25,060
Fire protection services	281,758
	<u>701,047</u>
Total expenditures	<u>\$ 2,387,287</u>

See accompanying auditors' report.



*Sienna Municipal Utility District No. 6*  
*TSI-3. Investments*  
*July 31, 2022*

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexPool	Variable	N/A	<u>\$ 481,670</u>
Debt Service			
TexPool	Variable	N/A	454,442
TexPool	Variable	N/A	12,218
TexPool	Variable	N/A	228,329
			<u>694,989</u>
Capital Projects			
TexPool	Variable	N/A	54,145
TexPool	Variable	N/A	24,169
			<u>78,314</u>
Total - All Funds			<u><u>\$ 1,254,973</u></u>

See accompanying auditors' report.

**Sienna Municipal Utility District No. 6**  
**TSI-4. Taxes Levied and Receivable**  
**July 31, 2022**

	Maintenance Taxes	Contract Taxes	Road Debt Service Taxes
Taxes Receivable, Beginning of Fifteen-month Period	\$ 1,466	\$ 5,133	\$ 8,798
Adjustments to Prior Year Tax Levy	(142)	(890)	(853)
Adjusted Receivable	<u>1,324</u>	<u>4,243</u>	<u>7,945</u>
2021 Original Tax Levy	34,094	265,932	289,798
Adjustments	5,585	43,565	47,474
Adjusted Tax Levy	<u>39,679</u>	<u>309,497</u>	<u>337,272</u>
Total to be accounted for	<u>41,003</u>	<u>313,740</u>	<u>345,217</u>
Tax collections:			
Current fifteen-month period	39,401	307,327	334,908
Prior years	1,212	4,242	7,273
Total Collections	<u>40,613</u>	<u>311,569</u>	<u>342,181</u>
Taxes Receivable, End of Fifteen-month Period	<u>\$ 390</u>	<u>\$ 2,171</u>	<u>\$ 3,036</u>
Taxes Receivable, By Years			
2021	<u>\$ 390</u>	<u>\$ 2,171</u>	<u>\$ 3,036</u>
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Property Valuations:			
Land	\$ 54,596,822	\$ 37,642,357	\$ 28,986,477
Improvements	100,802,118	78,056,958	57,305,505
Personal Property	575,940	292,050	
Exemptions	(76,616,765)	(82,700,532)	(69,301,245)
Total Property Valuations	<u>\$ 79,358,115</u>	<u>\$ 33,290,833</u>	<u>\$ 16,990,737</u>
Tax Rates per \$100 Valuation:			
Maintenance tax rates	\$ 0.050	\$ 0.10	\$ 0.68
Contract tax rates	0.390	0.35	0.37
Road debt service tax rates	0.425	0.60	
WSD debt service tax rates	0.185		
Total Tax Rates per \$100 Valuation	<u>\$ 1.050</u>	<u>\$ 1.05</u>	<u>\$ 1.05</u>
Adjusted Tax Levy:	<u>\$ 833,260</u>	<u>\$ 349,554</u>	<u>\$ 178,403</u>
Percentage of Taxes Collected to Taxes Levied **	<u>99.30%</u>	<u>100.00%</u>	<u>100.00%</u>

\* 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.

WSD Debt Service Taxes	Totals
\$ -	\$ 15,397
	(1,885)
-	13,512
126,147	715,971
20,665	117,289
146,812	833,260
146,812	846,772
145,783	827,419
	12,727
145,783	840,146
\$ 1,029	\$ 6,626
\$ 1,029	\$ 6,626
2018	
\$ 27,755,884	
36,054,900	
(48,033,220)	
\$ 15,777,564	
\$ 0.75	
0.30	
\$ 1.05	
\$ 165,664	
100.00%	

*Sienna Municipal Utility District No. 6*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2020 Road--by Years*  
*July 31, 2022*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ 155,000	\$ 142,182	\$ 297,182
2024	160,000	139,582	299,582
2025	165,000	136,737	301,737
2026	170,000	133,637	303,637
2027	175,000	130,272	305,272
2028	180,000	126,723	306,723
2029	185,000	122,980	307,980
2030	195,000	118,893	313,893
2031	200,000	114,448	314,448
2032	205,000	109,688	314,688
2033	215,000	104,540	319,540
2034	220,000	98,993	318,993
2035	225,000	93,095	318,095
2036	235,000	86,826	321,826
2037	240,000	80,235	320,235
2038	250,000	73,313	323,313
2039	260,000	65,850	325,850
2040	265,000	57,975	322,975
2041	275,000	49,875	324,875
2042	285,000	41,475	326,475
2043	295,000	32,775	327,775
2044	305,000	23,775	328,775
2045	315,000	14,475	329,475
2046	325,000	4,875	329,875
	<u>\$ 5,500,000</u>	<u>\$ 2,103,219</u>	<u>\$ 7,603,219</u>

See accompanying auditors' report.

*Sienna Municipal Utility District No. 6*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2021--by Years*  
*July 31, 2022*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2023	\$ -	\$ 96,256	\$ 96,256
2024	115,000	93,597	208,597
2025	115,000	88,278	203,278
2026	120,000	82,844	202,844
2027	125,000	77,178	202,178
2028	125,000	72,959	197,959
2029	130,000	70,250	200,250
2030	135,000	67,434	202,434
2031	140,000	64,513	204,513
2032	140,000	61,538	201,538
2033	145,000	58,509	203,509
2034	150,000	55,375	205,375
2035	155,000	52,134	207,134
2036	160,000	48,788	208,788
2037	165,000	45,334	210,334
2038	165,000	41,828	206,828
2039	170,000	38,163	208,163
2040	175,000	34,281	209,281
2041	180,000	30,288	210,288
2042	185,000	26,066	211,066
2043	190,000	21,613	211,613
2044	195,000	17,041	212,041
2045	200,000	12,350	212,350
2046	205,000	7,540	212,540
2047	215,000	2,552	217,552
	<u>\$ 3,800,000</u>	<u>\$ 1,266,709</u>	<u>\$ 5,066,709</u>

See accompanying auditors' report.

*Sienna Municipal Utility District No. 6*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2021 Road--by Years*  
*July 31, 2022*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ -	\$ 68,119	\$ 68,119
2024	80,000	66,269	146,269
2025	85,000	62,453	147,453
2026	85,000	58,522	143,522
2027	85,000	54,591	139,591
2028	90,000	51,669	141,669
2029	90,000	49,756	139,756
2030	95,000	47,791	142,791
2031	95,000	45,772	140,772
2032	100,000	43,700	143,700
2033	100,000	41,575	141,575
2034	105,000	39,397	144,397
2035	110,000	37,113	147,113
2036	110,000	34,775	144,775
2037	115,000	32,313	147,313
2038	115,000	29,725	144,725
2039	120,000	27,081	147,081
2040	125,000	24,325	149,325
2041	125,000	21,434	146,434
2042	130,000	18,406	148,406
2043	135,000	15,259	150,259
2044	140,000	11,994	151,994
2045	140,000	8,669	148,669
2046	145,000	5,284	150,284
2047	150,000	1,780	151,780
	<u>\$ 2,670,000</u>	<u>\$ 897,772</u>	<u>\$ 3,567,772</u>

See accompanying auditors' report.

*Sienna Municipal Utility District No. 6*  
*TSI-5. Long-Term Debt Service Requirements*  
*All Bonded Debt Series--by Years*  
*July 31, 2022*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2023	\$ 155,000	\$ 306,557	\$ 461,557
2024	355,000	299,448	654,448
2025	365,000	287,468	652,468
2026	375,000	275,003	650,003
2027	385,000	262,041	647,041
2028	395,000	251,351	646,351
2029	405,000	242,986	647,986
2030	425,000	234,118	659,118
2031	435,000	224,733	659,733
2032	445,000	214,926	659,926
2033	460,000	204,624	664,624
2034	475,000	193,765	668,765
2035	490,000	182,342	672,342
2036	505,000	170,389	675,389
2037	520,000	157,882	677,882
2038	530,000	144,866	674,866
2039	550,000	131,094	681,094
2040	565,000	116,581	681,581
2041	580,000	101,597	681,597
2042	600,000	85,947	685,947
2043	620,000	69,647	689,647
2044	640,000	52,810	692,810
2045	655,000	35,494	690,494
2046	675,000	17,699	692,699
2047	365,000	4,332	369,332
	<u>\$ 11,970,000</u>	<u>\$ 4,267,700</u>	<u>\$ 16,237,700</u>

See accompanying auditors' report.

**Sienna Municipal Utility District No. 6**  
**TSI-6. Change in Long-Term Bonded Debt**  
**July 31, 2022**

	Bond Issue			Totals
	Series 2020 Road	Series 2021	Series 2021 Road	
Interest rate	1.60% - 3.00%	2.125% - 4.625%	2.125% - 4.625%	
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	
Maturity dates	9/1/22 - 9/1/45	9/1/23 - 9/1/46	9/1/23 - 9/1/46	
Beginning bonds outstanding	\$ 5,500,000	\$ -	\$ -	\$ 5,500,000
Bonds issued		3,800,000	2,670,000	6,470,000
Ending bonds outstanding	<u>\$ 5,500,000</u>	<u>\$ 3,800,000</u>	<u>\$ 2,670,000</u>	<u>\$ 11,970,000</u>
Interest paid during fiscal period	<u>\$ 143,422</u>	<u>\$ 40,107</u>	<u>\$ 28,383</u>	<u>\$ 211,912</u>
Paying agent's name and city	Regions Bank, Houston, Texas			
All				
Bond Authority:	Water, Sewer and Drainage Bonds	Park Recreational Bonds	Road Bonds	
Amount Authorized by Voters	\$ 347,000,000	\$ 78,800,000	\$ 199,500,000	
Amount Issued	(3,800,000)		(8,170,000)	
Remaining To Be Issued	<u>\$ 343,200,000</u>	<u>\$ 78,800,000</u>	<u>\$ 191,330,000</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 July 31, 2022: \$ 707,122

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 649,508

See accompanying auditors' report.



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**Sienna Municipal Utility District No. 6**

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

**For the Last Five Fiscal Periods**

	Amounts				
	2022***	2021	2020	2019**	2018**
Revenues					
Water service	\$ 314,177	\$ 64,847	\$ 49,941	\$ 32,961	\$ 12,256
Sewer service	358,435	62,812	33,720	14,594	7,973
Property taxes	40,616	32,079	178,403	165,664	
Penalties and interest	11,987	1,280	329		
Surface water fees	256,450	52,689	47,679	33,820	10,829
Tap connection and inspection	1,376,466	571,874	112,287	17,135	3,550
Fire protection fees	280,940	83,064	52,460	45,924	26,875
Miscellaneous	30,642	5,688	2,300		120
Investment earnings	1,976	346	426	85	58
<b>Total Revenues</b>	<b>2,671,689</b>	<b>874,679</b>	<b>477,545</b>	<b>310,183</b>	<b>61,661</b>
Expenditures					
Current service operations					
Professional fees	152,592	103,195	63,128	21,795	22,361
Contracted services	659,939	366,204	111,232	28,602	88,248
Repairs and maintenance	504,704	88,267	26,156	1,920	11,484
Surface water	260,764	53,300	47,684	34,495	10,829
Administrative	68,217	22,707	19,646	11,509	8,921
Other	40,024	23,750	7,724	3,683	5,789
Intergovernmental					
Master District connection charges	394,229	72,823	41,840	21,903	6,063
Facilities renewal and replacement	25,060	3,483	3,153	2,209	743
Fire protection services	281,758	82,861	52,718	45,924	26,832
Contractual obligations			60,346		
<b>Total Expenditures</b>	<b>2,387,287</b>	<b>816,590</b>	<b>433,627</b>	<b>172,040</b>	<b>181,270</b>
Revenues Over/(Under) Expenditures	\$ 284,402	\$ 58,089	\$ 43,918	\$ 138,143	\$ (119,609)
Total Active Retail Water Connections	1,077	390	64	N/A	N/A
Total Active Retail Wastewater Connections	1,022	366	53	N/A	N/A

\*Percentage is negligible

\*\* Unaudited

\*\*\* Fifteen-month period

See accompanying auditors' report.

Percent of Fund Total Revenues

2022***	2021	2020	2019**	2018**
12%	7%	10%	11%	20%
13%	7%	7%	5%	13%
2%	5%	38%	52%	
*	*			
10%	6%	10%	11%	18%
51%	65%	24%	6%	6%
11%	9%	11%	15%	43%
1%	1%	*		*
*	*	*	*	*
100%	100%	100%	100%	100%
6%	12%	13%	7%	36%
25%	42%	23%	9%	143%
19%	10%	5%	1%	19%
10%	6%	10%	11%	18%
3%	3%	4%	4%	14%
1%	3%	2%	1%	9%
15%	8%	9%	7%	10%
1%	*	1%	1%	1%
11%	9%	11%	15%	44%
		13%		
64%	76%	57%	33%	239%
36%	24%	43%	67%	(139%)

*Sienna Municipal Utility District No. 6*

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

*For the Last Two Fiscal Periods*

	Amounts		Percent of Fund Total Revenues	
	2022***	2021	2022***	2021
Revenues				
Property taxes	\$ 799,550	\$ 304,748	99%	100%
Penalties and interest	8,542		1%	
Miscellaneous	240	41	*	*
Investment earnings	3,016		*	
Total Revenues	<u>811,348</u>	<u>304,789</u>	<u>100%</u>	<u>100%</u>
Expenditures				
Tax collection services	23,513		3%	
Other	3,280		*	
Debt service				
Interest and fees	203,587	54,183	25%	18%
Intergovernmental				
Contractual obligations	299,338	113,115		
Total Expenditures	<u>529,718</u>	<u>167,298</u>	<u>28%</u>	<u>18%</u>
Revenues Over Expenditures	<u>\$ 281,630</u>	<u>\$ 137,491</u>	<u>72%</u>	<u>82%</u>

\*Percentage is negligible

\*\*\* Fifteen-month period

See accompanying auditors' report.

***Sienna Municipal Utility District No. 6  
TSI-8. Board Members, Key Personnel and Consultants  
For the Fifteen-Month Period Ended July 31, 2022***

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600 Houston, TX 77027  
 District Business Telephone Number: (713) 860-6400  
 Submission Date of the most recent District Registration Form  
 (TWC Sections 36.054 and 49.054): May 17, 2022  
 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 Period End
<b>Board Members</b>				
Jason Miller	05/20 - 05/24	\$ 2,100	\$ 313	President
Ryan Pledger	05/22 - 05/26	2,700	1,397	Vice President
Linda Noyd	05/22 - 05/26	1,800	156	Secretary
Brad Baird	05/22 - 05/26	3,000	1,940	Assistant Secretary
Christina Perry	10/20 - 05/24	1,950	244	Assistant Vice President
<b>Consultants</b>				
Allen Boone Humphries Robinson LLP	2004	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 136,340		
<i>Bond counsel</i>		196,584		
Si Environmental, LLC	2012	1,113,077		Operator
Municipal Accounts & Consulting, L.P.	2018	56,534		Bookkeeper
Tax Tech, Inc.	2014	12,803		Tax Collector
Fort Bend Central Appraisal District	Legislation	3,353		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2020	1,378		Delinquent Tax Attorney
LJA Engineering, Inc.	2000	106,807		Engineer
McGrath & Co., PLLC	2020	23,600		Auditor
Robert W. Baird & Co. Incorporated	2015	131,762		Financial Advisor

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

See accompanying auditors' report.

# McGRATH & CO., PLLC

*Certified Public Accountants*  
2900 North Loop West, Suite 880  
Houston, Texas 77092

November 15, 2022

Board of Directors  
Sienna Municipal Utility District No. 6  
Fort Bend County, Texas

In planning and performing our audit of the financial statements of governmental activities and each major fund of Sienna Municipal Utility District No. 6 (the "District"), as of and for the year ended July 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal controls exists when the design or operation of a control does not allow management, in the normal course of performing their assigned functions, to prevent, detect or correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

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

## **Material Weaknesses**

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

- As is common within the system of internal control of most small organizations, the accounting function of the District does not prepare the financial statements complete with footnotes in accordance with accounting principles generally accepted in the United States of America. This could result in the District's financial statements and related note disclosures not fully or accurately presenting the District's financial position and changes in financial position during the fiscal year in conformity with accounting principles generally accepted in the United States of America.

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

### **Management's Response**

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

### **Conclusion**

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

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

Sincerely,



McGrath & Co., PLLC-CPAs  
Houston, Texas

**APPENDIX C**

**Specimen Municipal Bond Insurance Policy**





**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

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

MEMBER: [NAME OF MEMBER]

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

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

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

SPECIAL MEMBER

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

Email:

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

Address:

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

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN