

OFFICIAL STATEMENT DATED SEPTEMBER 24, 2025

*In the opinion of Bond Counsel (herein defined), under existing law, interest on the Bonds (herein defined) (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.*

The Bonds have not been designated as "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE – Book-Entry-Only

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

Moody's Investors Service, Inc. (AG Insured)..... "A1"

Moody's Investors Service, Inc. (Underlying)..... "A2"

SIENNA MUNICIPAL UTILITY DISTRICT NO. 5

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

\$17,000,000

Contract Revenue Bonds

Series 2025

Dated: October 1, 2025

Due: November 1, as shown on the inside cover

Interest Accrues From: October 23, 2025

The \$17,000,000 Sienna Municipal Utility District No. 5 Contract Revenue Bonds, Series 2025 (the "Bonds") are special obligations of Sienna Municipal Utility District No. 5 (the "Master District") payable solely from and to the extent of payments contractually required of the municipal utility districts (the "Participants") within the Service Area (herein defined) from proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by each Participant or from other revenues available to such Participant (the "Contract Payments"). Payment of Contract Payments by Participants and use of such proceeds by the Master District to pay debt service on the Bonds is governed by the Contract for Financing, Operation, and Maintenance of Regional Facilities (the "Master District Contract") as described more fully under "MASTER DISTRICT CONTRACT." The Bonds are special obligations of the Master District payable solely from the Contract Payments and are not obligations of the State of Texas; the City of Missouri City, Texas; Fort Bend County, Texas; any of the Participants (except the Master District); or any entity other than the Master District.

The Bonds are dated October 1, 2025, and mature on November 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 23, 2025), at the rates set forth on the inside cover, and is payable May 1, 2026, and each November 1 and May 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 Master District and will be payable from Contract Payments, as further described herein. 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 a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY INC. ("AG").

**ASSURED  
GUARANTY**

The Bonds constitute the ninth series of contract revenue bonds issued by the Master District from the \$441,800,000 principal amount of contract revenue bonds approved by voters of the Master District for the purpose of constructing or acquiring regional water, wastewater, and drainage facilities to serve the Service Area (the "Master District System Facilities").

THE 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 Master District and accepted by the Initial Purchaser (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 Master District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about October 23, 2025.

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

## \$17,000,000 Sienna Municipal Utility District No. 5 Contract Revenue Bonds, Series 2025

Maturity November 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 82622K (b)	Maturity November 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 82622K (b)
2027	\$ 380,000	6.500%	2.650%	KH3	2039 (c)	\$ 685,000	4.250%	4.300%	KV2
2028	400,000	6.500%	2.650%	KJ9	2040 (c)	720,000	4.250%	4.350%	KW0
2029	420,000	6.500%	2.700%	KK6	2041 (c)	755,000	4.250%	4.400%	KX8
2030	440,000	6.500%	2.850%	KL4	2042 (c)	795,000	4.375%	4.450%	KY6
2031 (c)	465,000	4.000%	3.150%	KM2	2043 (c)	835,000	4.375%	4.500%	KZ3
2032 (c)	490,000	4.000%	3.250%	KN0	2044 (c)	875,000	4.375%	4.550%	LA7
2033 (c)	510,000	4.000%	3.400%	KP5	2045 (c)	920,000	4.375%	4.600%	LB5
2034 (c)	540,000	4.000%	3.650%	KQ3	2046 (c)	965,000	4.375%	4.650%	LC3
2035 (c)	565,000	4.000%	3.900%	KR1	2047 (c)	1,015,000	4.500%	4.700%	LD1
2036 (c)	595,000	4.000%	4.050%	KS9	2048 (c)	1,065,000	4.500%	4.750%	LE9
2037 (c)	620,000	4.000%	4.150%	KT7	2049 (c)	1,115,000	4.500%	4.780%	LF6
2038 (c)	655,000	4.125%	4.250%	KU4	2050 (c)	1,175,000	4.500%	4.800%	LG4

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (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 November 1, 2031, and thereafter shall be subject to redemption and payment at the option of the Master District, in whole or from time to time in part, on November 1, 2030, 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."

## 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 Master District or the Initial Purchaser.

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.

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

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

## TABLE OF CONTENTS

<u>Page No.</u>	<u>Page No.</u>
<b>USE OF INFORMATION IN OFFICIAL STATEMENT ..... 1</b>	Extreme Weather Events ..... 19
<b>SALE AND DISTRIBUTION OF THE BONDS..... 3</b>	Potential Impact of Natural Disaster ..... 19
Award of the Bonds ..... 3	Potential Effects of Oil Price Volatility on the
Prices and Marketability ..... 3	Houston Area ..... 19
Securities Laws ..... 3	Overlapping Debt and Tax Rates ..... 19
Delivery of Official Statements ..... 3	Economic Factors and Interest Rates ..... 20
<b>MUNICIPAL BOND INSURANCE ..... 3</b>	Competition ..... 20
Bond Insurance Policy ..... 3	Location and Access ..... 20
Assured Guaranty Inc. .... 4	Dependence on Major Taxpayers and the
<b>RATINGS ..... 5</b>	Developer ..... 20
<b>OFFICIAL STATEMENT SUMMARY ..... 6</b>	Developer Agreement With the City ..... 21
<b>SELECTED FINANCIAL INFORMATION ..... 13</b>	Undeveloped Acreage and Vacant Lots ..... 21
Contract Revenue Bonds of the Master District ..... 13	Operational Expenses ..... 21
Master District Debt Service Funds Available as	No Reserve Fund ..... 21
of the Issuance of the Bonds ..... 13	Maximum Impact on Contract Tax Rate ..... 22
Debt Service Requirements on the Bonds ..... 14	Debt Burden on Property Within the Service
Assessed Valuations of the Participants ..... 14	Area ..... 22
Status of Development as of August 1, 2025 ..... 15	Tax Collection Limitations ..... 23
Selected Tax Data ..... 15	Registered Owners' Remedies and Bankruptcy ..... 23
Debt Service Requirement Schedule ..... 16	Marketability ..... 24
<b>INTRODUCTION ..... 17</b>	Future Debt ..... 24
<b>INVESTMENT CONSIDERATIONS ..... 17</b>	Continuing Compliance with Certain Covenants ..... 24
General ..... 17	Environmental Regulations ..... 24
Possible Flooding Events ..... 18	Approval of the Bonds ..... 26

Bond Insurance Risk Factors .....	26
<b>THE BONDS .....</b>	<b>27</b>
General .....	27
Book-Entry-Only System .....	27
Successor Paying Agent/Registrar .....	29
Registration, Transfer and Exchange .....	29
Redemption of the Bonds .....	30
Mutilated, Lost, Stolen, or Destroyed Bonds .....	30
Authority for Issuance .....	30
Source of Payment .....	30
Payment Record .....	31
The Outstanding Bonds .....	31
Contract Payments by the Participants .....	31
Unconditional Obligation to Pay .....	31
Funds .....	31
Issuance of Additional Debt .....	32
Financing Park and Recreational Facilities .....	32
No Arbitrage .....	33
Defeasance .....	33
Legal Investment and Eligibility to Secure Public Funds in Texas .....	33
Registered Owners' Remedies .....	34
Use and Distribution of Bond Proceeds .....	35
<b>THE PARTICIPANTS .....</b>	<b>36</b>
Creation, Authority, and Description .....	36
Authorized Bonds and Debt Service Tax .....	36
Operations .....	36
Contract Taxes .....	36
Maintenance and Operations Tax .....	37
Annexation – Strategic Partnership Agreements .....	37
Consolidation .....	37
Management .....	37
Financial Data .....	37
<b>MASTER DISTRICT CONTRACT .....</b>	<b>37</b>
<b>MASTER DISTRICT CONTRACT WITH SRMUD .....</b>	<b>39</b>
<b>THE MASTER DISTRICT .....</b>	<b>39</b>
Management of the Master District .....	39
Consultants .....	39
The Service Area .....	40
Status of Development Within the Service Area .....	40
Homebuilders Active Within the Service Area .....	41
<b>DESCRIPTION OF THE DEVELOPER .....</b>	<b>41</b>
Role of the Developer .....	41
Principal Landowner/Developer .....	41
<b>SIENNA .....</b>	<b>41</b>
Description of Project .....	41
Development Agreement .....	42
<b>MASTER DISTRICT FACILITIES .....</b>	<b>42</b>
General – The System .....	42
Regulation .....	43
Water Supply .....	43
Wastewater Treatment .....	43
Master District Road Facilities .....	44
Fire Protection .....	44
<b>THE FLOOD PROTECTION SYSTEM .....</b>	<b>44</b>
Design Standards and Atlas 14 .....	44
Flood Protection, Reclamation and Drainage Facilities .....	45
Construction of Future Internal Drainage Facilities .....	46

<b>MASTER DISTRICT DEBT .....</b>	<b>47</b>
General .....	47
Assessed Valuations of the Participants .....	48
Tax Rates of the Participants .....	48
Debt Ratios .....	48
Estimated Direct and Overlapping Debt Statement .....	49
<b>PHOTOGRAPHS TAKEN WITHIN THE SERVICE     AREA .....</b>	<b>50</b>
<b>PHOTOGRAPHS TAKEN WITHIN THE SERVICE     AREA .....</b>	<b>51</b>
<b>PHOTOGRAPHS TAKEN WITHIN THE SERVICE     AREA .....</b>	<b>52</b>
<b>TAXING PROCEDURES .....</b>	<b>53</b>
Authority to Levy Taxes .....	53
Property Tax Code and County-wide Appraisal District .....	53
Property Subject to Taxation by the Participants .....	53
Tax Abatement .....	54
Valuation of Property for Taxation .....	54
Participant and Taxpayer Remedies .....	55
Levy and Collection of Taxes .....	55
Tax Payment Installments After Disaster .....	56
Rollback of Maintenance and Operations Tax Rate .....	56
Participant's Rights in the Event of Tax Delinquencies .....	56
<b>TAX DATA .....</b>	<b>57</b>
Contract Tax .....	57
Debt Service Tax .....	57
Maintenance and Operations Tax .....	57
Tax Rate Limitation .....	57
Analysis of Tax Base .....	58
Principal Taxpayers .....	58
Tax Rate Calculations .....	59
Estimated Overlapping Taxes .....	59
<b>LEGAL MATTERS .....</b>	<b>59</b>
Legal Opinions .....	59
No-Litigation Certificate .....	60
No Material Adverse Change .....	60
<b>TAX MATTERS .....</b>	<b>60</b>
<b>CONTINUING DISCLOSURE OF INFORMATION .....</b>	<b>62</b>
Annual Reports .....	62
Event Notices .....	63
Availability of Information from EMMA .....	63
Limitations and Amendments .....	63
Compliance With Prior Undertakings .....	64
<b>OFFICIAL STATEMENT .....</b>	<b>64</b>
General .....	64
Experts .....	64
Certification as to Official Statement .....	64
Updating of Official Statement .....	64
<b>CONCLUDING STATEMENT .....</b>	<b>64</b>
<b>APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS</b>	
<b>APPENDIX B – FINANCIAL STATEMENTS OF THE PARTICIPANTS</b>	
<b>APPENDIX C – MASTER DISTRICT CONTRACT</b>	
<b>APPENDIX D – SPECIMEN MUNICIPAL BOND INSURANCE POLICY</b>	

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

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the Master District has accepted the bid resulting in the lowest net effective interest rate to the Master District, which was tendered by Northland Securities, Inc. (the "Initial Purchaser") to purchase the 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 98.000000% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 4.524159%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

### **Prices and Marketability**

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

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS.

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

### **Securities Laws**

No registration statement relating to the Bonds has been filed with the United States 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 Master District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

### **Delivery of Official Statements**

The Master District shall furnish to the Initial Purchaser (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 Master District and the Initial Purchaser. The Master District also shall furnish to the Initial Purchaser a like number of any supplements or amendments approved and authorized for distribution by the Master 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 Purchaser may reasonably request prior to the 90<sup>th</sup> day after the end of the underwriting period described in the Rule. The Master District shall pay the expense of preparing the number of copies of this Official Statement agreed upon between the Master District and the Initial Purchaser and an equal number of any supplements or amendments issued on or before the delivery date, but the Initial Purchaser 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, AG will issue a Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as "APPENDIX D."

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

## **Assured Guaranty Inc.**

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL” and together with its subsidiaries, “Assured Guaranty”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### *Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.*

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG (“AGM”), merged with and into AG, with AG as the surviving company (such transaction, the “Merger”). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

### *Current Financial Strength Ratings*

On August 4, 2025, KBRA announced that it had affirmed AG’s insurance financial strength rating of “AA+” (stable outlook).

On June 30, 2025, S&P announced that it had affirmed AG’s financial strength rating of “AA” (stable outlook).

On July 10, 2024, Moody’s, following Assured Guaranty’s announcement of the Merger, announced that it had affirmed AG’s insurance financial strength rating of “A1” (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody’s and/or KBRA may take. For more information regarding AG’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

### *Capitalization of AG*

At June 30, 2025:

- The policyholders’ surplus of AG was approximately \$3,514 million.
- The contingency reserve of AG was approximately \$1,453 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,437 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG’s wholly owned subsidiary Assured Guaranty UK Lim.

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

### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the SEC that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (filed by AGL with the SEC on February 28, 2025);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2025 (filed by AGL with the SEC on May 9, 2025); and

- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2025 (filed by AGL with the SEC on August 8, 2025).

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

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

#### *Miscellaneous Matters*

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

#### **RATINGS**

The Bonds are expected to receive an insured rating of “AA” (stable outlook) from S&P solely in reliance upon the issuance and delivery of the Policy by AG at the time of delivery of the Bonds. 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.

The Bonds are expected to receive an insured rating of “A1” (stable outlook) from Moody’s solely in reliance upon the issuance and delivery of the Policy by AG at the time of delivery of the Bonds. Moody’s has assigned an underlying rating of “A2” to the Bonds. An explanation of the ratings may be obtained from Moody’s, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that 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 their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating 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

Issuer .....	Sienna Municipal Utility District No. 5 (the "Master District" or, in its capacity as a Participant (herein defined), "SMUD5"), a political subdivision of the State of Texas ("Texas"), is located in Fort Bend County, Texas (the "County"). See "THE MASTER DISTRICT."
Issues .....	The \$17,000,000 Sienna Municipal Utility District No. 5 Contract Revenue Bonds, Series 2025 (the "Bonds") are dated October 1, 2025, and mature on November 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 23, 2025), at the rates set forth on the inside cover, and is payable May 1, 2026, and each November 1 and May 1 thereafter until the earlier of stated maturity or prior redemption. See "THE BONDS."
Redemption of the Bonds.....	The Bonds maturing on November 1, 2031, and thereafter shall be subject to redemption and payment at the option of the Master District, in whole or from time to time in part, on November 1, 2030, 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."
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/registrar, 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."
Source of Payment.....	Principal of and interest on the Bonds are payable from and secured by payments required of the Participants within the Service Area (herein defined) from proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by each Participant or from other revenues available to such Participant. The Master District has established a debt service fund to pay the principal of and interest on the Contract Revenue System Bonds (herein defined), such as the Bonds, and the Contract Revenue Fire Bonds (herein defined) (collectively, the "Contract Revenue System Debt Service Fund"). The Master District has also established a debt service fund to pay the principal of and interest on the Contract Revenue Road Bonds (herein defined) (the "Contract Revenue Road Debt Service Fund"). Contract Payments by Participants and use of such proceeds by the Master District to pay debt service on the Bonds is governed by the Contract for Financing, Operation, and Maintenance of Regional Facilities (the "Master District Contract") which has been entered into by the Master District and the Participants. By execution of the Master District Contract, each Participant has agreed to pay a pro rata share of the debt service on the Contract Revenue Bonds (herein defined), including the Bonds, which share is based upon the appraised valuation subject to taxation plus amounts equal to any optional exemption or special appraisal value granted or adopted by a Participant, and any optional exemption or special value claimed by a landowner due to use for agricultural, open space, timberland, or other similar uses (the "Gross Certified Assessed Valuation") of each Participant as a percentage of the Gross Certified Assessed Valuation of all Participants, calculated annually. Each Participant is contractually obligated to make the Contract Payments from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for



such purpose on taxable property within its boundaries (the "Contract Tax"), from revenues derived from the operations of such Participant's water distribution and wastewater collection systems, or from any other lawful sources of such Participant's income. No Participant is liable for the payments owed by any other Participant; however, failure of any Participant to make its Contract Payment, as required by the Master District Contract, could result in an increase in the Contract Payment amount paid by each of the Participants during the time that such Participant's payment is delinquent, as the Participants would have to replenish its respective coverage in the Master District debt service fund. The Bonds are special obligations of the Master District and are not obligations of Texas; the County; the City of Missouri City, Texas (the "City"); any of the Participants (except the Master District); or any entity other than the Master District. See "THE BONDS – Source of Payment," "THE BONDS – Unconditional Obligation to Pay," and "MASTER DISTRICT CONTRACT."

Use and Distribution of Bond Proceeds .....	Proceeds from the sale of the Bonds will be used to reimburse the Developer (herein defined) for the costs associated with the construction of the Master District System Facilities (herein defined) shown under "THE BONDS – Use and Distribution of Bond Proceeds." In addition, proceeds from the sale of the Bonds will be used to pay developer interest, twelve (12) months of capitalized interest, operating costs, and certain other costs associated with the issuance of the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds."
Outstanding Bonds .....	The Master District has previously issued the following Contract Revenue Bonds: \$1,100,000 Sienna Municipal Utility District No. 5 Contract Revenue Road Bonds, Series 2015; \$2,170,000 Sienna Municipal Utility District No. 5 Contract Revenue Bonds, Series 2016; \$6,645,000 Sienna Municipal Utility District No. 5 Contract Revenue Bonds, Series 2017; \$8,415,000 Sienna Municipal Utility District No. 5 Contract Revenue Road Bonds, Series 2019; \$7,050,000 Sienna Municipal Utility District No. 5 Contract Revenue Bonds, Series 2019; \$6,000,000 Sienna Municipal Utility District No. 5 Contract Revenue Road Bonds, Series 2020; \$6,000,000 Sienna Municipal Utility District No. 5 Contract Revenue Bonds, Series 2020; \$6,800,000 Sienna Municipal Utility District No. 5 Contract Revenue Road Bonds, Series 2021; \$9,725,000 Sienna Municipal Utility District No. 5 Contract Revenue Bonds, Series 2021; \$5,680,000 Sienna Municipal Utility District No. 5 Contract Revenue Road Bonds, Series 2022; \$3,650,000 Sienna Municipal Utility District No. 5 Contract Revenue Bonds, Series 2022; \$8,760,000 Sienna Municipal Utility District No. 5 Contract Revenue Road Bonds, Series 2023; \$9,420,000 Sienna Municipal Utility District No. 5 Contract Revenue Bonds, Series 2023; \$4,250,000 Sienna Municipal Utility District No. 5 Contract Revenue Road Bonds, Series 2024; \$5,125,000 Sienna Municipal Utility District No. 5 Contract Revenue Bonds, Series 2024; and \$2,475,000 Sienna Municipal Utility District No. 5 Contract Revenue Fire Bonds, Series 2024. At the time of delivery of the Bonds, \$86,310,000 principal amount of such previously issued debt will remain outstanding (the "Outstanding Bonds"). See "MASTER DISTRICT DEBT."
NOT Qualified Tax-Exempt Obligations .....	The Bonds have not been designated as "qualified tax-exempt obligations" for financial institutions.
Municipal Bond Insurance .....	Assured Guaranty Inc. ("AG"). See "MUNICIPAL BOND INSURANCE."
Ratings .....	S&P Global Ratings (AG Insured): "AA." Moody's Investors Service, Inc. ("Moody's") (AG Insured): "A1." Moody's (Underlying): "A2." See "RATINGS."
Payment Record .....	The Master District has never defaulted in payment of its bonded indebtedness. See "THE BONDS – Source of Payment."
Contract Revenue Bonds .....	The Master District is issuing the Bonds for the purpose of constructing or acquiring regional water, wastewater, and drainage facilities to serve the Service Area (the "Master District System Facilities"), and the Master District is expected to issue, in the future, additional contract revenue bonds for the Master District System Facilities. The Master District has also issued

bonds for the purpose of constructing or acquiring a regional road system to serve the Service Area (the “Master District Road Facilities”) and for the purpose of paying costs for the Master District’s pro rata share of the fire department substation facility and equipment constructed pursuant to the Fire Protection Agreement (herein defined), the TCEQ (herein defined), voter approved fire plan, and Chapter 49 of the Texas Water Code to serve the Service Area (the “Master District Fire Facilities”), and the Master District is expected to issue, in the future, additional contract revenue bonds. The Bonds and any contract revenue bonds issued for the purpose of constructing or acquiring the Master District System Facilities are referred to herein as the “Contract Revenue System Bonds,” any contract revenue bonds issued for the purpose of constructing or acquiring the Master District Road Facilities are referred to herein as “Contract Revenue Road Bonds,” and any contract revenue bonds issued for the purpose of constructing or acquiring the Master District Fire Facilities are referred to herein as “Contract Revenue Fire Bonds.” The Contract Revenue System Bonds, the Contract Revenue Road Bonds, and the Contract Revenue Fire Bonds are collectively referred to herein as the “Contract Revenue Bonds.” SMUD5 does not anticipate levying a tax rate for the 2025 tax year, so it will rely on developer advances.

In addition, the Master District Contract authorized the Contract Revenue Park Bonds (herein defined). See “INVESTMENT CONSIDERATIONS – General,” “MASTER DISTRICT DEBT – Tax Rates of the Participants,” and “THE BONDS – Authority for Issuance.”

Financing Park and Recreational Facilities ..... In addition to the improvements to be made through the issuance of the Outstanding Bonds, the Bonds, and any future Contract Revenue Bonds, and pursuant to the Master District Contract, the Master District owns or will own, construct, and/or acquire regional park and recreational facilities to serve the Service Area (the “Master District Park Facilities”). The Master District may finance the capital costs of the Master District Park Facilities from payments made by each Participant of its pro rata share of the Master District’s then estimated capital costs of the Master District Park Facilities (the “Park Construction Charges”). The Park Construction Charges will be computed from time to time on the basis of the then estimated total capital costs of providing the Master District Park Facilities minus the payments which have been previously received from the Participants as Park Construction Charges, and dividing the result by the number of projected total water and sewer connections to be constructed within the Service Area. The Master District Park Facilities may be financed by the Master District through the issuance of contract revenue bonds, which may be paid by the Participants through the issuance of ad valorem tax bonds issued by the individual Participants, or through the Park Construction Charges.

If Park Construction Charges are received by the Master District, they shall be deposited into a separate fund for the benefit of the Participants (the “Park Construction Fund”) and shall be used solely for the purpose of paying the capital costs of the Master District Park Facilities pursuant to the Master District Contract. See “THE BONDS – Financing Park and Recreational Facilities.”

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

In addition, the Master District Contract authorized \$218,300,000 principal amount of contract revenue bonds for the purpose of constructing or

acquiring the Master District Park Facilities (the “Contract Revenue Park Bonds”).

After the issuance of the Bonds, \$375,015,000 principal amount of Contract Revenue System Bonds, \$208,495,000 principal amount of Contract Revenue Road Bonds, \$30,325,000 principal amount of Contract Revenue Fire Bonds, and \$218,300,000 principal amount of Contract Revenue Park Bonds will remain authorized but unissued. The Contract Revenue Bonds are secured by the collection of the Contract Payments through the levy of the Contract Tax.

The Bonds are issued by the Master District pursuant to the Master District Contract, the terms and conditions of the bond resolution (the “Bond Resolution”) adopted by the Board of Directors of the Master District (the “Board”) on the date of sale of the Bonds, and pursuant to Chapters 49 and 54 of the Texas Water Code, an order of the Texas Commission on Environmental Quality (the “TCEQ”), an election held within the Master District and passed by a majority of the participating voters, and the general laws of Texas relating to the issuance of bonds by political subdivisions in Texas. See “THE BONDS – Authority for Issuance,” “THE BONDS – Issuance of Additional Debt,” “MASTER DISTRICT CONTRACT,” and “INVESTMENT CONSIDERATIONS – Future Debt.”

Bond Counsel ..... Allen Boone Humphries Robinson LLP, Houston, Texas.  
Disclosure Counsel ..... Orrick, Herrington & Sutcliffe LLP, Houston, Texas.  
Financial Advisor ..... Robert W. Baird & Co. Incorporated, Houston, Texas.  
Master District Engineer ..... Pape-Dawson Engineers, LLC, Houston, Texas.  
Paying Agent/Registrar ..... BOKF, NA, Dallas, Texas.

#### **THE MASTER DISTRICT**

Description..... The Master District is a political subdivision of Texas, created by an order of the TCEQ dated March 10, 1997, and operates pursuant to chapters 49 and 54 of the Texas Water Code. Road powers were added in 2009 to the Master District’s powers by special legislation codified as Chapter 8321 of the Texas Special District Local Laws Code. The District was originally named “Sienna Plantation Municipal Utility District No. 5” and was officially renamed “Sienna Municipal Utility District No. 5” by order of the TCEQ, dated October 7, 2020. The Service Area is located within the extra-territorial jurisdiction of the City and lies wholly within the County. The Service Area is located in the northeast portion of the County, approximately 23 miles from the central downtown business district of the City of Houston, Texas. The Master District also serves as a provider of regional water, wastewater, drainage, firefighting, road, and park and recreational facilities to the approximate 3,424-acre service area (the “Service Area”) comprised of the Master District, Sienna Municipal Utility District No. 4 (“SMUD4”), Sienna Municipal Utility District No. 6 (“SMUD6”), and Sienna Municipal Utility District No. 7 (“SMUD7”). SMUD5, SMUD4, SMUD6, and SMUD7 have entered into the Master District Contract with the Master District and are referred to herein collectively as the “Participants.” See “MASTER DISTRICT CONTRACT” and “APPENDIX C – MASTER DISTRICT CONTRACT.”

#### **Status of Development Within the Service**

Area ..... To date, development within the Service Area has occurred within the boundaries of SMUD4, SMUD6, and SMUD7. Within the Service Area, approximately 893.6 acres (2,166 lots) have been developed into the single-family residential subdivision of Sienna, Sections 1-6, 6B, 7, 7B, 7C, 8, 9, 9B, 10-12, 13A, 13B, 14, 15A, 15B, 16, 17A, 17B&C, 18, 19, 20-26, 45A, and 45B within SMUD4, approximately 1,089.5 acres (2,674 lots) have been developed into 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, 54, 55, 57, 59, 60, 62, 63, 64, 65, 66, 67, 68, 69A, and 69B within SMUD6, and approximately 105.6 acres (151 lots) have been developed into the single-

family residential subdivision of Sienna, Sections 50A, 50B, 50C, and 51A within SMUD7. Approximately 6.5 acres (10 lots) are currently under development as the single-family residential subdivision of Sienna, Section 35B within SMUD6 and approximately 87.1 acres (224 lots) are currently under development as the single-family residential subdivision of Sienna, Sections 51B, 76, 81, and 83 within SMUD7. As of August 1, 2025, 4,231 homes were complete (4,095 occupied, 106 unoccupied, and 30 models), 152 homes were under construction, and 608 lots were developed and vacant.

In addition, a daycare, multiple grade schools, a CVS Pharmacy, a retail center, and a church have been constructed within the Service Area.

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

#### Homebuilders Active Within the Service

Area ..... Homebuilders active within the Service Area include Toll Brothers; Jamestown Estate Homes; Westin Homes; Shea Homes; David Weekley Homes; Tri Pointe Homes; Highland Homes; Perry Homes; Newmark Homes; Chesmar Homes; J. Patrick Homes; Beazer Homes; and Partners in Building. Homebuilding began in SMUD4 in early 2015, in SMUD6 in early 2019, and in SMUD7 in early 2024. Prices of new homes being constructed within the Service Area range in price from approximately \$300,000 to over \$1,500,000, and in size from approximately 1,500 square feet to over 7,000 square feet.

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. 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. This area includes three (3) internal municipal utility districts (previously four (4), before Sienna Municipal Utility District No. 2 was annexed and dissolved by the City) and a management district, as well as an approximate 214-acre rural estate subdivision known as The Woods at Sienna.

**Only the payments by the Participants within the Service Area (SMUD5, SMUD4, SMUD6, and SMUD7) are pledged as security for the Bonds. See "SIENNA – Description of the Project."**

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

#### Flood Protection Facilities 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). SPLID finances 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 Participants. For the 2024 tax year, SPLID levied a total tax rate

of \$0.4125 per \$100 of assessed valuation. At the time of delivery of the Bonds, SPLID will have \$201,975,000 principal amount of unlimited tax bonds outstanding. See "TAX DATA – Estimated Overlapping Taxes," "THE FLOOD PROTECTION SYSTEM," and "INVESTMENT CONSIDERATIONS – Possible Flooding Events."

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, 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."

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

#### **THE MASTER DISTRICT CONTRACT**

Participants..... The Participants (SMUD5, SMUD4, SMUD6, and SMUD7) have entered into the Master District Contract with the Master District. Each Participant is a municipal utility district organized and operating pursuant to Article XVI, Section 59 and Article III, Section 52 of the Constitution of Texas and Chapters 49 and 54, Texas Water Code, to provide water, wastewater, drainage, road, and park and recreation services to the area within their boundaries. In 2009, each of the Participants acquired road powers through special legislation, codified as Chapters 8320, 8321, 8322, and 8323 of the Texas Special District Local Laws Code. See "THE PARTICIPANTS."

Operational Revenues ..... In addition to obligating each Participant to pay its Contract Payments, the Master District Contract also obligates each Participant to pay monthly charges to the Master District for water and sewer services facilities. The monthly charges paid by each Participant to the Master District is used to pay operations and maintenance expenses and to provide an operation and maintenance reserve equivalent to three (3) months of operations and maintenance expenses. The Master District Contract provides that each Participant will establish, maintain, and from time to time adjust its rates, fees, and charges for use of its water distribution and wastewater collection services, or for the availability of such services, to the end that the gross revenues therefrom together with any taxes levied in support thereof and funds received from any other lawful source will be sufficient at all times to pay all operation and maintenance expenses of the Participant's water distribution and wastewater collection systems and its obligation to the Master District under the Master District Contract, including its obligation to pay its Contract Payment. See "MASTER DISTRICT CONTRACT."

#### **SIENNA REGIONAL MUNICIPAL UTILITY DISTRICT**

Description..... Sienna Regional Municipal Utility District ("SRMUD") is the municipal utility district created to provide the water supply and wastewater treatment facilities for the adjacent developments of the Service Area. SRMUD and the Master District (on behalf of the Participants) have entered into a utility contract (the "Utility Contract") whereby the Master District will construct and finance the Master District Facilities and convey them to SRMUD for ownership, operation, and maintenance. Pursuant to the Utility Contract, the Master District will be responsible, subject to the terms of the Master District Contract, for all payments to SRMUD and its pro rata share of any

bonds sold 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. 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 SMUD5 is contractually obligated to pay its pro rata share of the annual debt service. At the time of delivery of the Bonds, \$12,305,000 principal amount of the Master District's obligation will remain outstanding. See "MASTER DISTRICT CONTRACT WITH SRMUD" and "MASTER DISTRICT FACILITIES."

#### **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)

### Contract Revenue Bonds of the Master District

2025 Gross Certified Assessed Valuation of the Participants..... (100% of the market valuation as of January 1, 2025)	\$ 2,309,413,291 (a)
Estimated Gross Assessed Valuation of the Participants as of July 15, 2025..... (100% of the estimated market valuation as of July 15, 2025)	\$ 2,460,802,703 (b)
Direct Debt:	
The Outstanding Bonds (at the time of delivery of the Bonds) .....	\$ 86,310,000
The Bonds .....	<u>17,000,000</u>
Total Direct Debt.....	<u>\$ 103,310,000</u>
Estimated Overlapping Debt.....	<u>393,657,472 (c)</u>
Total Direct and Estimated Overlapping Debt.....	<u>\$ 496,967,472</u>

### Direct Debt Ratios:

As a Percentage of the 2025 Gross Certified Assessed Valuation of the Participants (\$2,309,413,291).....	4.47 %
As a Percentage of the Estimated Gross Assessed Valuation of the Participants as of July 15, 2025 (\$2,460,802,703).....	4.20 %

### Direct and Estimated Overlapping Debt Ratios:

As a Percentage of the 2025 Gross Certified Assessed Valuation of the Participants (\$2,309,413,291).....	21.52 %
As a Percentage of the Estimated Gross Assessed Valuation of the Participants as of July 15, 2025 (\$2,460,802,703).....	20.20 %

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

Contract Revenue System Debt Service Fund Balance (as of August 4, 2025) .....	\$ 4,366,081 (d)(f)(g)
Contract Revenue Road Debt Service Fund Balance (as of August 4, 2025).....	\$ 3,643,191 (e)(f)(g)
Contract Revenue System Capital Projects Fund Balance (as of August 4, 2025) .....	\$ 2,175,789
Contract Revenue Road Capital Projects Fund Balance (as of August 4, 2025) .....	\$ 412,627
Contract Revenue Fire Capital Projects Fund Balance (as of August 4, 2025).....	\$ 15,132
General Fund Balance (as of August 4, 2025).....	\$ 554,074

- (a) Represents the assessed valuation of all taxable property located within all Participants as of January 1, 2025, as provided by the Fort Bend Central Appraisal District (the "Appraisal District"). Each Participant's tax roll is certified by the Fort Bend Central Appraisal Review Board (the "Appraisal Review Board"). Such amount includes \$8,428,445 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board. Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the value of all taxable property located within all Participants as of July 15, 2025, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2025, through July 15, 2025. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "MASTER DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Resolution requires that the Master District maintain any particular sum in the Contract Revenue System Debt Service Fund. Money deposited into the Contract Revenue System Debt Service Fund can only be used to pay debt service on the Contract Revenue System Bonds, such as the Bonds, and the Contract Revenue Fire Bonds.
- (e) Neither Texas law nor the Bond Resolution requires that the Master District maintain any particular sum in the Contract Revenue Road Debt Service Fund. Money deposited into the Contract Revenue Road Debt Service Fund can only be used to pay debt service on the Contract Revenue Road Bonds.
- (f) Funds deposited into the Contract Revenue System Debt Service Fund are not pledged to the Contract Revenue Road Bonds, nor are funds deposited into the Contract Revenue Road Debt Service Fund pledged to the Contract Revenue System Bonds, such as the Bonds, or to the Contract Revenue Fire Bonds.
- (g) Each Participant is obligated to pay a pro rata share of debt service on the Contract Revenue Bonds by the dates specified by the Master District. See "THE BONDS - Contract Payments by the Participants," "THE BONDS - Unconditional Obligation to Pay," and "MASTER DISTRICT CONTRACT."

## Debt Service Requirements on the Bonds

Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026-2050) .....	\$	5,976,167 (a)
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2041) .....	\$	6,953,613 (a)
Contract Tax Rate per \$100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026-2050) at 95% Tax Collections:		
Based Upon the 2025 Gross Certified Assessed Valuation of the Participants (\$2,309,413,291).....	\$	0.28
Based upon the Estimated Gross Assessed Valuation of the Participants as of July 15, 2025 (\$2,460,802,703).....	\$	0.26
Contract Tax Rate per \$100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2041) at 95% Tax Collections:		
Based Upon the 2025 Gross Certified Assessed Valuation of the Participants (\$2,309,413,291).....	\$	0.32
Based upon the Estimated Gross Assessed Valuation of the Participants as of July 15, 2025 (\$2,460,802,703).....	\$	0.30

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

## Assessed Valuations of the Participants

Participant	2025 Gross Certified Assessed Valuation (a)	Percent of Total	Estimated Gross Assessed Valuation as of July 15, 2025 (b)	Percent of Total
SMUD4 (c)	\$ 1,215,277,486	52.62%	\$ 1,218,183,255	49.50%
SMUD5	788,190	0.03%	788,190	0.03%
SMUD6 (d)	1,049,792,038	45.46%	1,184,731,822	48.14%
SMUD7 (e)	43,555,577	1.89%	57,099,436	2.32%
Total	\$ 2,309,413,291	100.00%	\$ 2,460,802,703	100.00%

- (a) Represents the assessed valuation of all taxable property located within the Participant as of January 1, 2025, as provided by the Appraisal District. The Participant's tax roll is certified by the Appraisal Review Board. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the value of all taxable property located within the Participant as of July 15, 2025, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2025, through July 15, 2025. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Such amount includes \$2,360,677 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board. Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board.
- (d) Such amount includes \$5,579,679 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.
- (e) Such amount includes \$488,089 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board. Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board.



### Status of Development as of August 1, 2025

District	Total Acreage	Completed Lots	Occupied Completed Homes	Unoccupied Completed Homes	Homes Under Construction	Vacant Developed Lots	Lots Under Development
SMUD4	1,063.54	2,166	2,153	9	4	-	-
SMUD5	31.71	-	-	-	-	-	-
SMUD6	1,300.35	2,674	1,921	114 (a)	140	499	10
SMUD7	1,028.84	151	21	13 (b)	8	109	224
Total	3,424.44	4,991	4,095	136	152	608	234

Estimated Population of the Service Area: 14,333 (c)

- (a) Includes 27 model homes.  
(b) Includes 3 model homes.  
(c) Based upon 3.5 average residents per occupied completed home.

### Selected Tax Data

Participant	2024 Debt Service Tax Rate	2024 Maintenance Tax Rate	2024 Contract Tax Rate	Total 2024 Tax Rate (c)
SMUD4	\$ 0.565	\$ 0.050	\$ 0.320	\$ 0.935
SMUD5 (a)(b)	0.000	0.000	0.000	0.000
SMUD6	0.705	0.020	0.325	1.050
SMUD7	0.000	0.710	0.340	1.050

- (a) SMUD5 has not levied a tax rate to date, but may levy a tax rate at a future date.  
(b) Until such time as SMUD5 levies a Contract Tax, Contract Payments will be paid from operating funds advanced by the Developer. See "INVESTMENT CONSIDERATIONS – Dependence on Major Taxpayers and the Developer."  
(c) SMUD4 has authorized publication of a total tax rate of \$0.935 per \$100 of assessed valuation for the 2025 tax year. SMUD5 will not levy a tax rate for the 2025 tax year. SMUD6 has authorized publication of a total tax rate of \$1.050 per \$100 of assessed valuation for the 2025 tax year. SMUD7 has authorized publication of a total tax rate of \$1.050 per \$100 of assessed valuation for the 2025 tax year.

## Debt Service Requirement Schedule

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

Year	Outstanding Debt Service	The Bonds		Total Debt Service	Total Debt Service
		Principal	Interest		
2025	\$ 4,163,333	\$ -	\$ -	\$ -	\$ 4,163,333
2026	5,725,438	-	782,543	782,543	6,507,981
2027	5,703,138	380,000	765,531	1,145,531	6,848,669
2028	5,656,883	400,000	740,831	1,140,831	6,797,714
2029	5,652,569	420,000	714,831	1,134,831	6,787,400
2030	5,637,541	440,000	687,531	1,127,531	6,765,073
2031	5,630,010	465,000	658,931	1,123,931	6,753,941
2032	5,624,195	490,000	640,331	1,130,331	6,754,526
2033	5,637,859	510,000	620,731	1,130,731	6,768,590
2034	5,669,465	540,000	600,331	1,140,331	6,809,796
2035	5,668,625	565,000	578,731	1,143,731	6,812,356
2036	5,701,039	595,000	556,131	1,151,131	6,852,170
2037	5,706,885	620,000	532,331	1,152,331	6,859,216
2038	5,746,869	655,000	507,531	1,162,531	6,909,400
2039	5,748,788	685,000	480,513	1,165,513	6,914,300
2040	5,772,950	720,000	451,400	1,171,400	6,944,350
2041	5,777,813	755,000	420,800	1,175,800	6,953,613
2042	5,652,725	795,000	388,713	1,183,713	6,836,438
2043	5,241,569	835,000	353,931	1,188,931	6,430,500
2044	5,253,913	875,000	317,400	1,192,400	6,446,313
2045	4,291,319	920,000	279,119	1,199,119	5,490,438
2046	3,600,213	965,000	238,869	1,203,869	4,804,081
2047	2,665,163	1,015,000	196,650	1,211,650	3,876,813
2048	2,038,406	1,065,000	150,975	1,215,975	3,254,381
2049	780,194	1,115,000	103,050	1,218,050	1,998,244
2050	-	1,175,000	52,875	1,227,875	1,227,875
Total	\$124,746,896	\$ 17,000,000	\$ 11,820,612	\$ 28,820,612	\$ 153,567,508

Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026-2050) .....	\$ 5,976,167
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2041) .....	\$ 6,953,613

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

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

### **\$17,000,000 Contract Revenue Bonds Series 2025**

#### **INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Sienna Municipal Utility District No. 5 (the “Master District” or, in its capacity as a Participant (herein defined), “SMUD5”) of the \$17,000,000 Sienna Municipal Utility District No. 5 Contract Revenue Bonds, Series 2025 (the “Bonds”).

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

This Official Statement includes descriptions, among others, of the Bonds, the Bond Resolution, and certain other information about the “Participants” (currently, SMUD5, Sienna Municipal Utility District No. 4 (“SMUD4”), Sienna Municipal Utility District No. 6 (“SMUD6”), and Sienna Municipal Utility District No. 7 (“SMUD7”)), certain other information about the Master District, in both its capacity as the Master District and as a Participant, the approximate 3,424 acre area (the “Service Area”) to be provided with the Master District Facilities (herein defined), and the Contracts for the Financing, Operation and Maintenance of Regional Facilities entered into by the Participants and the Master District (the “Master District Contract”).

There follows herein descriptions of the Bonds, the Developer (herein defined), the Bond Resolution, and certain information about the Master 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 Resolution, except as otherwise indicated herein.

#### **INVESTMENT CONSIDERATIONS**

##### **General**

The Master District is issuing the Bonds for the purpose of constructing or acquiring regional water, wastewater, and drainage facilities to serve the Service Area (the “Master District System Facilities”), and the Master District is expected to issue, in the future, additional contract revenue bonds for the Master District System Facilities. The Master District has also issued bonds for the purpose of constructing or acquiring a regional road system to serve the Service Area (the “Master District Road Facilities”) and for the purpose of paying costs for the Master District’s pro rata share of the fire department substation facility and equipment constructed pursuant to the Fire Protection Agreement (herein defined), the Texas Commission on Environmental Quality (the “TCEQ”), voter approved fire plan, and Chapter 49 of the Texas Water Code to serve the Service Area (the “Master District Fire Facilities”), and the Master District is expected to issue, in the future, additional contract revenue bonds. The Bonds and any contract revenue bonds issued for the purpose of constructing or acquiring the Master District System Facilities are referred to herein as the “Contract Revenue System Bonds,” any contract revenue bonds issued for the purpose of constructing or acquiring the Master District Road Facilities are referred to herein as “Contract Revenue Road Bonds,” and any contract revenue bonds issued for the purpose of constructing or acquiring the Master District Fire Facilities are referred to herein as “Contract Revenue Fire Bonds. The Contract Revenue System Bonds, the Contract Revenue Road Bonds, and the Contract Revenue Fire Bonds are collectively referred to herein as the “Contract Revenue Bonds.” The Master District System Facilities, the Master District Road Facilities, the Master District Fire Facilities, and the Master District Park Facilities (herein defined) are collectively referred to herein as the “Master District Facilities.” The Bonds are special obligations of the Master District and are not obligations of Texas; Fort Bend County, Texas (the “County”); the City of Missouri City, Texas (the “City”); any of the Participants (except the Master District); or any entity other than the Master District, and are payable solely from the revenues pledged thereto. The Contract Revenue Bonds, including the Bonds, are payable solely from and to the extent of certain contract payments received by the Master District from the Participants pursuant to the Master District Contract, with each Participant’s annual contract payment being equal to its pro rata share of annual debt service on the Contract Revenue Bonds, including the Bonds, plus all charges and expenses of paying agents and registrars, and all amounts required to establish and maintain funds, established under the Bond Resolution based upon the appraised valuation subject to taxation plus amounts equal to any optional exemption or special appraisal value granted or adopted by a Participant, and any optional exemption or special value claimed by a landowner due to use for agricultural, open space, timberland, or other similar uses (the “Gross Certified Assessed Valuation”) of each such Participant as a percentage of the total Gross Certified Assessed Valuation of all Participants (the “Contract Payments”). Each Participant is contractually obligated to make the Contract Payments from the proceeds of an

annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on taxable property within its boundaries (the "Contract Tax"), from revenues derived from the operations of such Participant's water distribution and wastewater collection systems, or from any other lawful sources of such Participant's income. **The obligations of the Participants to make Contract Payments are several, not joint, obligations prorated among the Participants based upon the proportion of the Gross Certified Assessed Valuation of property within their respective boundaries to the total Gross Certified Assessed Valuation of property within all Participants, as described herein.** No Participant is obligated to pay the Contract Payments allocated to any other Participant; however, lack of payment by any Participant could result in an increase in the Contract Payment amount paid by each of the other Participants during the time that such Participant's payment is delinquent as the Master District may include a reserve amount in the Contract Payment due from each Participant. The security for payment of the principal of and interest on the Bonds by the Master District, therefor, depends on the ability of each Participant to collect annual ad valorem taxes (without legal limit as to rate or amount) levied on taxable property within its boundaries sufficient to make its Contract Payments. The collection by each Participant of delinquent taxes owed to it may be a costly and lengthy process. See "INVESTMENT CONSIDERATIONS – Registered Owners' Remedies and Bankruptcy" and "THE BONDS – Source of Payment."

### **Possible Flooding Events**

The Service Area lies within SPLID (herein defined), which provides flood protection for Sienna (herein defined). The Service Area 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 "MASTER DISTRICT FACILITIES" 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 Service Area: (1) an overtopping of the levee, (2) a failure (or breach) of the levee system or (3) localized rainfall in excess of the 100-year event.

An overtopping of the levee could occur if the Brazos River or its tributaries reach flood stages higher than the 100-year event. The "100-year event" means the river elevation has a statistical 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 Service Area 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 Service Area may be at greater risk of structural flooding as compared to structures with foundational slabs at a higher elevation, and some areas in SPLID may be more prone to flooding events than other areas.

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

### **Extreme Weather Events**

The greater City of Houston, Texas ("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 Service Area 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 SPLID's levee and drainage system, however, the Service Area experienced street flooding and approximately nine (9) homes within the Service Area reported structural flooding and 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 Service Area.

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

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

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

The Service Area 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 Service Area, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the Service Area and an increase in the Participants' 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 Service Area that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the Service Area would be adversely affected. There can be no assurance the Service Area 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 Service Area. The Master District cannot predict the impact that negative conditions in the oil industry could have on property values in the Service Area.

### **Overlapping Debt and Tax Rates**

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

Landowners are or will be responsible for the payment of ad valorem taxes levied by each Participant for payment of Contract Payments. In addition, owners of property located within the Participants are responsible for the payment of ad valorem taxes levied by each Participant for the payment of debt service on unlimited tax bonds issued by each Participant and ad valorem taxes levied by each Participant for the purpose of paying the Participant's operation and maintenance costs. See "APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS" for information related to each Participant's indebtedness and taxation requirements.

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

### **Economic Factors and Interest Rates**

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

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

### **Competition**

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

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

### **Location and Access**

The service area is located approximately 23 miles southwest from the central business district of Houston. Many of the single-family developments with which the Master District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition, the Developer may be at a competitive disadvantage to the developers in other single-family projects located closer to major urban centers or in a more developed state. See "THE MASTER DISTRICT – Status of Development Within the Service Area."

### **Dependence on Major Taxpayers and the Developer**

The top 10 principal taxpayers within the Service Area represent \$127,298,864, or 5.55%, of the 2025 Gross Certified Assessed Valuation of the Participants, which is \$2,309,413,291, and represents ownership in the Participants' boundaries as of January 1, 2025. The Developer represents \$50,970,280, or 2.22%, of such value. See "TAX DATA – Principal Taxpayers." If the Developer or another principal taxpayer were to default in the payment of taxes in an amount which exceeds the amount in the debt service fund created to pay debt service on bonds issued for the Master District System Facilities or the Master District Fire Facilities (the "Contract Revenue System Debt Service Fund") or the debt service fund created to pay debt services on bonds issued for the Master District Road Facilities (the "Contract Revenue Road Debt Service Fund"), the ability of the Master District to make timely payment of debt service on the Bonds would be dependent on the ability of Participants to enforce and liquidate their tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in a Participant being forced to set an excessive tax rate, hindering growth and leading to further defaults in the payment of taxes. The Master District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its Contract Revenue System Debt Service Fund or Contract Revenue Road

Debt Service Fund. See “INVESTMENT CONSIDERATIONS – Tax Collection Limitations,” “TAXING PROCEDURES – Levy and Collection of Taxes,” and “APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS.”

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

#### **Developer Agreement With the City**

A prior owner of the land within the Service Area entered into the Eighth Amendment (herein defined). The Eighth Amendment modifies the terms of the original Sienna Plantation Joint Development Agreement (entered into in February 19, 1996) as it pertains to the land now owned by the Developer (referred to in the Eighth Amendment as “Tract B” but referred to herein as the Service Area); and clarifies that unless expressly set forth in the Eighth Amendment, none of the terms of the preceding seven (7) amendments are applicable to the development of the Service Area. Thus, the Development Agreement (herein defined) are the only terms that remain in full force and effect as to the Developer’s development of land within the Service Area.

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

#### **Undeveloped Acreage and Vacant Lots**

To date, there are approximately 900 undeveloped but developable acres within the Service Area that have not been provided with water, wastewater, drainage, road, and other facilities necessary for the construction of taxable improvement. In addition, there are 608 vacant developed lots and 234 lots currently under development. The Master District makes no representation as to when or if development of the undeveloped but developable acreage will occur or that the lot sales and building program will be successful. See “THE MASTER DISTRICT – Status of Development Within the Service Area.”

#### **Operational Expenses**

Each Participant is obligated to pay monthly charges to the Master District for its share of the Master District’s operation and maintenance expenses in connection with the Master District’s provision of service from the Master District Facilities. The monthly charges paid by each Participant to the Master District is used to pay each Participant’s share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. Each Participant’s share of operation and maintenance expenses and reserve requirements is based upon a “unit cost” of operation and maintenance expense and reserve requirements, calculated by the Master District and expressed in terms of “cost per equivalent single-family residential connection.” Each Participant’s monthly payment to the Master District for operation and maintenance expenses will be calculated by multiplying the number of equivalent single-family residential connections (“ESFCs”) reserved to each Participant on the first day of the previous month by the unit cost per ESFC. The monthly cost per ESFC being charged by the Master District to each Participant presently is \$31.91 for water and wastewater services and \$28.50 for firefighting services for fiscal year 2026. See “MASTER DISTRICT FACILITIES.” Residents in the Service Area also pay a renewal and replacement fee of \$0.40 per 1,000 gallons of water used and a surface water fee of \$3.20 per 1,000 gallons of water used to the City.

#### **No Reserve Fund**

The Bonds will be issued pursuant to the Bond Resolution wherein the Contract Payments will be pledged to payment of debt service on the Bonds. The Bond Resolution confirms the Contract Revenue System Debt Service Fund but does not create designated reserve funds. Each Participant’s pro rata share of the Contract Payments is calculated by the Master District. The Master District’s annual calculation of the debt service requirement to be paid by the Participants shall include no more than the sum of next year’s annual debt service requirements and, at the option of the Master District, up to 50% of the following year’s annual debt service requirements to establish a replenishment amount in the debt service fund, which when paid by the Participants, will be deposited into the debt service fund. Delay or failure of any Participant to pay its pro rata share of the debt service requirements may adversely affect payment of the Bonds. There is no trust estate or

trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of Registered Owners (herein defined). Any action in mandamus as a result of a payment or other default under the Bond Resolution would have to be brought by the Registered Owners themselves against the Master District, and such an action would not necessarily operate to enforce rights against other Participants. See "INVESTMENT CONSIDERATIONS – Registered Owners' Remedies and Bankruptcy."

### **Maximum Impact on Contract Tax Rate**

Assuming no further development, the value of the land and improvements currently within the Participants will be the major determinant of the ability and willingness of property owners to pay their taxes. The 2025 Gross Certified Assessed Valuation of the Participants is \$2,309,413,291 and the estimated gross assessed valuation of the Participants as of July 15, 2025, is \$2,460,802,703. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds (herein defined) and the Bonds will be \$6,953,613 (2041) and the average annual debt service requirement on the Outstanding Bonds and the Bonds will be \$5,976,167 (2026-2050). Assuming no increase or decrease from the 2025 Gross Certified Assessed Valuation, a Contract Tax rate of \$0.32 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Bonds and the Bonds and a Contract Tax rate of \$0.28 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement on the Outstanding Bonds and the Bonds. Assuming no increase or decrease from the estimated gross assessed valuation of the Participants as of July 15, 2025, a Contract Tax rate of \$0.30 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Bonds and the Bonds and a Contract Tax rate of \$0.26 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement on the Outstanding Bonds and the Bonds. See "SELECTED FINANCIAL INFORMATION – Debt Service Requirement Schedule," "SELECTED FINANCIAL INFORMATION – Contract Revenue Bonds of the Master District," and "TAX DATA – Tax Rate Calculations."

### **Debt Burden on Property Within the Service Area**

The total tax rate paid by property owners within the Service Area is a major factor in the demand for single-family homes within the Service Area. The Master District Contract requires that the Participants make Contract Payments from the Contract Tax. In addition, other contract tax payments are required of the Participants by the Master District Contract. See "MASTER DISTRICT CONTRACT" and "MASTER DISTRICT CONTRACT WITH SRMUD". Furthermore, each Participant will be required to levy taxes on property within the boundaries (without legal limit as to rate or amount) to pay annual principal and interest on any unlimited tax bonds issued in the future by the Participant to fund internal water, wastewater, drainage, road, and park and recreational facilities within the Participant's boundaries. Each Participant may also levy taxes on property within its boundaries to pay operations and maintenance expenses. For the 2024 tax year, SMUD4 levied a debt service tax rate of \$0.565 per \$100 of assessed valuation, a maintenance and operations tax rate of \$0.050 per \$100 of assessed valuation, and contract tax rate of \$0.320 per \$100 of assessed valuation, for a total tax rate of \$0.935 per \$100 of assessed valuation. For the 2024 tax year, SMUD6 levied a debt service tax rate of \$0.705 per \$100 of assessed valuation, a maintenance and operations tax rate of \$0.020 per \$100 of assessed valuation, and contract tax rate of \$0.325 per \$100 of assessed valuation, for a total tax rate of \$1.050 per \$100 of assessed valuation. For the 2024 tax year, SMUD7 levied a maintenance and operations tax rate of \$0.710 per \$100 of assessed valuation and contract tax rate of \$0.340 per \$100 of assessed valuation, for a total tax rate of \$1.050 per \$100 of assessed valuation. For the 2025 tax year, SMUD4 has authorized publication of a debt service tax rate of \$0.5800 per \$100 of assessed valuation, a maintenance and operations tax rate of \$0.0425 per \$100 of assessed valuation, and contract tax rate of \$0.3125 per \$100 of assessed valuation, for a total tax rate of \$0.9350 per \$100 of assessed valuation. For the 2025 tax year, SMUD6 has authorized publication of a debt service tax rate of \$0.6600 per \$100 of assessed valuation, a maintenance and operations tax rate of \$0.0750 per \$100 of assessed valuation, and contract tax rate of \$0.3150 per \$100 of assessed valuation, for a total tax rate of \$1.0500 per \$100 of assessed valuation. For the 2025 tax year, SMUD7 has authorized publication of a maintenance and operations tax rate of \$0.7350 per \$100 of assessed valuation and contract tax rate of \$0.3150 per \$100 of assessed valuation, for a total tax rate of \$1.0500 per \$100 of assessed valuation. To date, SMUD5 has not levied a tax rate.

The entirety of the Service Area is located within SPLID, which covers approximately 9,832 acres. SPLID is the levee improvement district created to construct and maintain the earthen levee, detention ponds, external drainage channel, and various interior drainage channels necessary to serve Sienna. All of the approximate 3,424 acres that make up the Service Area are located within SPLID. SPLID finances facilities to accomplish flood protection and accommodate stormwater drainage and regional park facilities within SPLID, including the Service Area. SPLID currently levies a tax on property located within its boundaries, including the Service Area, which is in addition to any tax levied by the Master District. For the 2024 tax year, SPLID levied a total tax rate of \$0.4125 per \$100 of assessed valuation. At the time of delivery of the Bonds, SPLID will have \$201,975,000 principal amount of unlimited tax bonds outstanding.

As discussed in this Official Statement under "MASTER DISTRICT CONTRACT WITH SRMUD" in May 2013, the Participants executed a Contract for Financing Operation and Maintenance of Regional Water, Sanitary Sewer and Storm Sewer Facilities (the "SRMUD Agreement") with Sienna Regional Municipal Utility District ("SRMUD"). The SRMUD Agreement obligates the Participants (and the five (5) other participating districts) to pay their respective pro rata share for any contract revenue bonds issued by SRMUD for regional facilities. SRMUD is only able to issue contract revenue bonds for certain limited purposes, including bonds for a wastewater treatment plant. 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 SMUD5 is contractually obligated to pay its pro rata share of the annual debt service. At the time of delivery of the Bonds, \$12,305,000 principal amount of the Master District's obligation will remain outstanding.

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

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

While the Master District makes no representation regarding the likelihood of adverse economic conditions requiring the levy of a higher tax rate, it is expected that the combined tax rate of a Participant (including any Contract Tax) and SPLID, but excluding other taxing entities, will not exceed \$1.50 per \$100 of assessed valuation. See "TAX DATA."

### **Tax Collection Limitations**

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

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

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

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

## **Marketability**

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

## **Future Debt**

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

The Master District Contract obligates each Participant to pay a pro rata share of the debt service on the Contract Revenue Bonds based upon the Gross Certified Assessed Valuation of each Participant as a percentage of the Gross Certified Assessed Valuation of all Participants, calculated annually. Each Participant is obligated to make such Contract Payments from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on taxable property within its boundaries, or also known as the "Contract Tax," from revenues derived from the operations of such Participant's water distribution and wastewater collection systems, or from any other lawful source of such Participant's income.

In addition, the Master District has authorized \$218,300,000 principal amount of contract revenue bonds for the purpose of constructing or acquiring the Master District Park Facilities (the "Contract Revenue Park Bonds").

Pursuant to the Master District Contract and after the issuance of the Bonds, the Master District will have \$375,015,000 principal amount of Contract Revenue System Bonds, \$208,495,000 principal amount of Contract Revenue Road Bonds, \$30,325,000 principal amount of Contract Revenue Fire Bonds, and \$218,300,000 principal amount of Contract Revenue Park Bonds remaining authorized but unissued, and such additional bonds as may hereafter be approved by both the Board and voters of the Participants. See "THE BONDS – Issuance of Additional Debt." The Outstanding Bonds, the Bonds, and all additional Contract Revenue Bonds issued by the Master District, will be payable from the Contract Tax.

SMUD5 and each other Participant 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 Master District or such other Participant is limited to 1% of the their respective taxable assessed valuation; however, if the Master District or such other Participant meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the Master District or such other Participant may exceed an amount equal to 1% but not greater than 3% of their respective taxable assessed valuation. Before the Master District or such other Participant 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.

SMUD5 and each of the other Participant have voted bonds for purposes of providing internal water, wastewater, drainage, road, and park and recreational facilities within their respective boundaries. See "APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS" for a description of the voter authorized bonds, principal amount of bonds issued (if any), and principal amount of bonds outstanding for each Participant.

## **Continuing Compliance with Certain Covenants**

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

## **Environmental Regulations**

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

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;

- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

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

*Air Quality Issues:* Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the 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 two (2) separate federal ozone standards: the 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 the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

The HGB Area is currently designated as a “severe” 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 “serious” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2027. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six (6) 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 Master District and the Participants, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than 90 contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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 five (5)-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While SRMUD, Sienna Municipal Utility District No. 2 (“SMUD2”) – which was annexed by the City effective August 21, 2023, and was dissolved by the City effective December 19, 2023), Sienna Municipal Utility District No. 3 (“SMUD3”), SMUD4, SMUD6, Sienna Municipal Utility District No. 10 (“SMUD10”), Sienna Municipal Utility District No. 12 (“SMUD12”), and Sienna Management District (“SMD”) are subject to the MS4 Permit, the Master District, as a Participant, is currently not subject to the MS4 Permit as it does not meet the population thresholds. If the Master District’s inclusion as a Participant were required at a future date, the Master District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

Operations of utility districts, including the Master District and 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 Master District and the Participants must obtain a permit from the United States Army Corps of Engineers (“USACE”) if operations of the Master District and the Participants require that wetlands be filled, dredged, or otherwise altered.

In 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. Subsequently, the EPA and USACE issued a final rule amending the definition of “waters of the United States” under the CWA to conform with the Supreme Court’s decision.

While the *Sackett* decision and subsequent regulatory action 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 Master District and the Participants, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

### **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.

### **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.

### **2025 Legislative Session**

The 89<sup>th</sup> Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one (1) or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Legislature may enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could adversely affect the marketability or market value of the Bonds. On June 23, 2025, the Governor called a special session which began on July 21, 2025, and ended on August 15, 2025. No legislation was passed during the first special session. The Governor immediately called a second special session which began on August 15, 2025, and concluded on September 4, 2025. No legislation affecting property taxes was passed during the second special session, and no third special session has been called at this time. The Master District can make no representations or predictions regarding any actions the Texas Legislature may take or the effect of any such actions.

### **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 Master District unless the bond insurer chooses to pay such amounts at an earlier date.

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

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer and its claim paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the ratings on the Bonds insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "MUNICIPAL BOND INSURANCE" and "RATINGS."

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

Neither the Master District or the Initial Purchaser have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Master District to pay principal 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.

## **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 Resolution adopted by the Board. A copy of the Bond Resolution may be obtained from the Master District upon written request made to Bond Counsel at 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

The Bonds will mature on November 1 of the years and in principal amounts, and will bear interest from the initial date of delivery (on or about October 23, 2025), at the rates per annum, set forth on the inside cover. Interest on the Bonds will be payable May 1, 2026, and semiannually thereafter on November 1 and May 1 until maturity or redemption. Interest calculations are based on a 360-day year comprised of 12 30-day months. The Bonds are subject to redemption as described below.

The Bonds will be issued only in fully registered form in principal denominations of \$5,000 for any one (1) maturity and will be initially registered and delivered only to The Depository Trust Company, New York, New York ("DTC") in its nominee name of Cede & Co., pursuant to the Book-Entry-Only System (herein defined). No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), to Cede & Co., as registered owner. DTC will make distribution of the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only-System."

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

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

### **Book-Entry-Only System**

*This section describes how ownership of the Bonds is to be transferred and how principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are*

*registered in its nominee name. The information in this section concerning DTC and the book-entry-only system (the "Book-Entry-Only System") has been provided by DTC for use in disclosure documents such as this Official Statement. The Master District and the Financial Advisor (herein defined) believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

*The Master District and the Financial Advisor cannot and do not give any assurance that: (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to Direct and Indirect Participants (herein defined), (2) Direct and Indirect Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Registered Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner 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 Master District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent/Registrar or the Master District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Master District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in the section concerning DTC and the Book-Entry-Only System has been obtained from sources that the Master District believes to be reliable, but the Master District takes no responsibility for the accuracy thereof.

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

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections 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 Resolution will be given only to DTC.

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

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

The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the 15<sup>th</sup> calendar day of the month next preceding such interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Master District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day preceding the date of mailing of such notice.

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

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

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the 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 Master District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning 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 Master District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

### **Redemption of the Bonds**

The Bonds maturing on November 1, 2031, and thereafter shall be subject to redemption and payment at the option of the Master District, in whole or from time to time in part, on November 1, 2030, 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 Master District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one (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.

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

In the event the Book-Entry-Only System should be discontinued, the Master 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 Master District and the Paying Agent/Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the Master 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.

### **Authority for Issuance**

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

In addition, the Master District has authorized \$218,300,000 principal amount of Contract Revenue Park Bonds.

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

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

### **Source of Payment**

The Bonds are payable solely from payments the Participants make to the Paying Agent/Registrar for the purpose of paying the debt service on the Bonds pursuant to the requirements of the Master District Contract. The Master District Contract provides that all Participants shall pay a pro rata share of debt service on any Contract Revenue Bonds issued by the Master District, including the Bonds, based upon each Participant's Gross Certified Assessed Valuation as a percentage of the Gross Certified Assessed Valuation of all Participants. The debt service requirements shall be calculated to include the charges and expenses of paying agents and registrars utilized in connection with Contract Revenue Bonds, the principal, interest, and redemption requirements of the Contract Revenue Bonds and all amounts required to establish and maintain funds established under the Bond Resolution. Each Participant is obligated to pay its pro rata share of the Contract Payments, from the Contract Tax, revenues derived from the operation of its water distribution and wastewater collection systems or from any other legally available funds of such Participant. Each Participant's pro rata share of debt service requirements will be calculated annually by the Master District; however the levy of a Contract Tax for the purpose of paying debt service



on the Contract Revenue Bonds is the sole responsibility of each Participant. The Bonds are special obligations of the Master District and are not obligations of Texas; the County; the City; any of the Participants (except the Master District); or any entity other than the Master District.

### **Payment Record**

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

### **The Outstanding Bonds**

The Master District has previously issued the following Contract Revenue Bonds: \$1,100,000 Sienna Municipal Utility District No. 5 Contract Revenue Road Bonds, Series 2015; \$2,170,000 Sienna Municipal Utility District No. 5 Contract Revenue Bonds, Series 2016; \$6,645,000 Sienna Municipal Utility District No. 5 Contract Revenue Bonds, Series 2017; \$8,415,000 Sienna Municipal Utility District No. 5 Contract Revenue Road Bonds, Series 2019; \$7,050,000 Sienna Municipal Utility District No. 5 Contract Revenue Bonds, Series 2019; \$6,000,000 Sienna Municipal Utility District No. 5 Contract Revenue Road Bonds, Series 2020; \$6,000,000 Sienna Municipal Utility District No. 5 Contract Revenue Bonds, Series 2020; \$6,800,000 Sienna Municipal Utility District No. 5 Contract Revenue Road Bonds, Series 2021; \$9,725,000 Sienna Municipal Utility District No. 5 Contract Revenue Bonds, Series 2021; \$5,680,000 Sienna Municipal Utility District No. 5 Contract Revenue Road Bonds, Series 2022; \$3,650,000 Sienna Municipal Utility District No. 5 Contract Revenue Bonds, Series 2022; \$8,760,000 Sienna Municipal Utility District No. 5 Contract Revenue Road Bonds, Series 2023; \$9,420,000 Sienna Municipal Utility District No. 5 Contract Revenue Bonds, Series 2023; \$4,250,000 Sienna Municipal Utility District No. 5 Contract Revenue Road Bonds, Series 2024; \$5,125,000 Sienna Municipal Utility District No. 5 Contract Revenue Bonds, Series 2024; and \$2,475,000 Sienna Municipal Utility District No. 5 Contract Revenue Fire Bonds, Series 2024. At the time of delivery of the Bonds, \$86,310,000 principal amount of such previously issued debt will remain outstanding (the “Outstanding Bonds”). See “MASTER DISTRICT DEBT.”

### **Contract Payments by the Participants**

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

### **Unconditional Obligation to Pay**

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

### **Funds**

The Contract Revenue System Debt Service Fund is confirmed in the Bond Resolution, of which the proceeds from the Contract Payments collected for and on account of the Bonds shall be deposited into the Contract Revenue System Debt Service Fund (which includes each Participant’s pro rata share of the respective debt service requirements). The Bond

Resolution does not provide for segregated reserve funds. The Master District's annual calculation of the debt service requirement to be paid by the Participants shall include no more than the sum of next year's annual debt service requirements and, at the option of the Master District, an amount up to 50% of the following year's annual debt service requirements, which when paid by the Participants, will be deposited into the respective debt service fund.

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

### **Issuance of Additional Debt**

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

In addition, the Master District has authorized \$218,300,000 principal amount of Contract Revenue Park Bonds. The Master District Park Facilities may be financed by the Master District through the issuance of contract revenue bonds, which may be paid by the Participants through the issuance of ad valorem tax bonds issued by the individual Participants, or through the Park Construction Charges (herein defined). See "THE BONDS – Financing Park and Recreational Facilities."

SMUD5 and each other Participant 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 Master District or such other Participant is limited to 1% of the their respective taxable assessed valuation; however, if the Master District or such other Participant meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the Master District or such other Participant may exceed an amount equal to 1% but not greater than 3% of their respective taxable assessed valuation. Before the Master District or such other Participant 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.

Pursuant to the Master District Contract and after the issuance of the Bonds, the Master District will have \$375,015,000 principal amount of Contract Revenue System Bonds, \$208,495,000 principal amount of Contract Revenue Road Bonds, \$30,325,000 principal amount of Contract Revenue Fire Bonds, and \$218,300,000 principal amount of Contract Revenue Park Bonds remaining authorized but unissued. The Master District Contract (except as described above) and the Bond Resolution impose no limitation on the amount of Contract Revenue Bonds the Master District may issue payable from the Contract Tax. See "INVESTMENT CONSIDERATIONS – Future Debt."

SMUD5 and each other Participant may issue unlimited tax bonds for water, wastewater, drainage, road, and park and recreational services, with any required approval of the TCEQ, necessary to provide and maintain improvements and facilities to serve land within their respective boundaries consistent with the purposes for which SMUD5 or such other Participant was created. TCEQ approval is not currently required for the Master District or any Participant to issue bonds for the purpose of constructing or acquiring road facilities. See "THE PARTICIPANTS" and "APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS."

### **Financing Park and Recreational Facilities**

In addition to the improvements to be made through the issuance of the Contract Revenue Bonds and pursuant to the Master District Contract, the Master District owns or will own, construct, and/or acquire the Master District Park Facilities. The Master District may finance the capital costs of the Master District Park Facilities from payments made by each Participant of its pro rata share of the Master District's then estimated capital costs of the Master District Park Facilities (the "Park Construction Charges"). The Park Construction Charges will be computed from time to time on the basis of the then estimated total capital costs of providing the Master District Park Facilities for the Service Area minus the payments which have been previously received from the Participants as Park Construction Charges, and dividing the result by the number of projected total water and sewer connections to be constructed within the Service Area. The Park Construction Charges may be financed through the issuance of ad valorem tax bonds issued by the individual Participants. The Master District Park Facilities may be financed by the Master District through the issuance of contract revenue bonds, which may be paid by the Participants through the issuance of ad valorem tax bonds issued by the individual Participants, or through the Park Construction Charges.

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

SMUD5 and each other Participant is authorized by statute to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purpose. The Master District has conducted a park election authorizing issuance of park bonds and has approved a park plan; however, no park bonds have been issued to date. See "THE BONDS – Issuance of Additional Debt."

### **No Arbitrage**

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

### **Defeasance**

The Bond Resolution provides that the Master 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 Master District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct 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 Master District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) 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 Master District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

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

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

(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and 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 Master District (including the Bonds) are eligible as collateral for public funds.

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

#### **Registered Owners' Remedies**

Pursuant to Texas law, the Bond Resolution provides that, in the event the Master 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 Resolution 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 Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the Master 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 Participants to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a Master 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 Master District, such a judgment could not be enforced by direct levy and execution against the property within the Service Area. Further, the Registered Owners cannot themselves foreclose on the property within the Service Area or sell property within the Service Area 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 Participants. For example, a Chapter 9 bankruptcy proceeding by a Participant could delay or eliminate payment of principal or interest to the Registered Owners.

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## Use and Distribution of Bond Proceeds

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

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

<u>CONSTRUCTION COSTS</u>		<u>Total Costs</u>
A. Developer Contribution Items		
None		\$ -
B. District Items		
1. Sienna Parkway Phase 6		\$ 1,015,429
2. Reclaimed Water Plant Expansion		1,066,476
3. Regional WWTP Expansion Phase 2		10,879,395
4. Contingency for Item 3		120,206
5. Engineering and Testing		733,447
6. SWPPP		<u>18,312</u>
Total District Items		<u>\$ 13,833,265</u>
TOTAL CONSTRUCTION COSTS (81.37% of Bond Issue Requirement)		\$ 13,833,265
<u>NON-CONSTRUCTION COSTS</u>		
A. Legal Fees		\$ 380,000
B. Fiscal Agent Fees		340,000
C. Interest		
1. Developer Interest		915,819
2. Capitalized Interest (12 Months)		765,531
D. Bond Discount		340,000
E. Bond Issuance Expenses		50,850
F. Bond Application Report Costs		60,000
G. Operating Costs		178,066
H. Attorney General's Fee (0.10% or \$9,500 max)		9,500
I. TCEQ Bond Issue Fee (0.25%)		42,500
J. Contingency (a)		<u>84,469</u>
TOTAL NON-CONSTRUCTION COSTS		<u>\$ 3,166,735</u>
TOTAL BOND ISSUE REQUIREMENT		\$ 17,000,000

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

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

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## **THE PARTICIPANTS**

### **Creation, Authority, and Description**

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

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

### **Authorized Bonds and Debt Service Tax**

The Participants have the statutory authority to issue unlimited tax bonds for the purpose of providing internal water distribution, wastewater collection, storm drainage, road, and park and recreational facilities to the land within their boundaries. Such bonds are secured by a direct continuing annual ad valorem tax adequate to provide funds to pay the principal of and interest on such bonds. Such tax is in addition to the Contract Tax. See "THE PARTICIPANTS – Contract Taxes."

SMUD5 and each of the other Participants have voted bonds for purposes of providing internal water, wastewater, drainage, road, and park and recreational facilities within their respective boundaries.

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

### **Operations**

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

### **Contract Taxes**

The Master District has the authority to issue Contract Revenue Bonds, including the Bonds. Each Participant's pro rata share of the debt service requirements on the Contract Revenue Bonds shall be determined by dividing each Participant's Gross Certified Assessed Valuation by the total of all Participants' Gross Certified Assessed Valuation, calculated annually. Calculation of Contract Payments, including the Contract Payments, is based upon the Gross Certified Assessed Valuation and does not make allowances for any exemptions granted by the Participant's however, allowances are made for exemptions provided under State law that do not require action by the Participants. See "TAXING PROCEDURES." The Master District Contract obligates each Participant to pay its pro rata share of debt service requirements on the Contract Revenue Bonds from the proceeds of annual Contract Taxes without legal limit as to rate or amount, from revenues derived from the operation of its water distribution and wastewater collection systems, or from any other legally available funds. The Master District does not expect that revenues from the Participants' wastewater collection and water distribution systems will ever be sufficient to pay a significant portion of the Contract Payments for application to debt service on the Contract Revenue Bonds, including the Bonds. The debt service requirement shall include principal, interest, and redemption requirements on the Contract Revenue Bonds, paying agent/registrar fees, and all amounts necessary to establish and maintain funds established under a bond resolution. Through its Utility Contract with the Master District, SRMUD has the authority to levy an additional contract tax on the Participants. See "MASTER DISTRICT CONTRACT WITH SRMUD."

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

## **Maintenance and Operations Tax**

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

## **Annexation – Strategic Partnership Agreements**

Under existing Texas law, since the Master District and each of the Participants lie wholly within the extraterritorial jurisdiction of the City, each Participant must conform to a City consent ordinance. The Participants and the City entered into agreements that govern the terms of annexation (the “Strategic Partnership Agreements”). The Master District may not be annexed until all Participants are annexed. Under Texas law, the City cannot annex territory within a district unless it annexes the entire district. Pursuant to the Strategic Partnership Agreement, which sets forth the terms of full purpose annexation, the City will not annex the property in a Participant until (i) at least 95% of the developable acreage within the Participant has been developed with water, wastewater, and drainage facilities, and (ii) the 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 a Participant is annexed, the City will assume the Participant’s assets and obligations (including the Participant’s obligation under the Master District Contract) and dissolve the Participant within 90 days. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the Master District makes no representation that the City will ever annex the Master District or any Participant and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

The Strategic Partnership Agreement between the City and SMUD5 was amended on October 5, 2020, to allow for the City to annex SMUD5 (in addition to SMUD6 and SMUD7) for the limited purpose of providing fire protection services.

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

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

## **Consolidation**

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

## **Management**

Each Participant is governed by a board of directors, consisting of five (5) members, which has control and management of all affairs of such Participant. Directors of each Participant are elected by the voters within that Participant to serve four (4)-year staggered terms. All such directors reside or own property within the Participant on whose board they serve. None of the Participants have any employees. Each Participant contracts for all services required to maintain its operations. The TCEQ exercises continuing supervisory jurisdiction over each Participant, and, in addition, operation of each Participant’s water, wastewater, and drainage facilities is subject to regulation by other agencies.

## **Financial Data**

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

## **MASTER DISTRICT CONTRACT**

SMUD5 and the other Participants have executed the Master District Contract with the Master District for the financing, operation, and maintenance of the regional facilities described below and obtained the approval of the Master District Contract from voters at elections held within their respective boundaries. The Master District, in its capacity as the provider for the Master District Facilities, will construct the Master District Facilities and provide services from those Master District Facilities.

The Master District Contract provides that all Participants shall pay a pro rata share of debt service on the Contract Revenue Bonds, including the Bonds, based upon each Participant’s Gross Certified Assessed Valuation as a percentage of the Gross Certified Assessed Valuation of all the Participants, calculated annually. Calculation of the Contract Payment is based upon Gross Certified Assessed Valuation and does not make allowances for any exemptions granted by the Participants. Each Participant is obligated to pay its pro rata share of the annual debt service payments from the proceeds of annual ad valorem property taxes, including the Contract Tax, without legal limit as to rate or amount, revenues derived from the operation of

its water distribution and wastewater collection system or from any other legally available funds. The Contract Tax shall be calculated to include the charges and expenses of paying agents and registrars utilized in connection with the Contract Revenue Bonds, including the Bonds, the principal, interest, and redemption requirements of the Contract Revenue Bonds and all amounts required to establish and maintain funds established under the applicable bond resolution. The Contract Tax also includes each Participant's share of the debt service on bonds issued for the permanent wastewater treatment plant 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 Facilities (except as described herein, the County will accept public roadways for operation and maintenance and the fire station is owned and operated by the City). In addition, pursuant to the Utility Contract, SRMUD owns and operates the Master District System Facilities. Each Participant (including SMUD5 in its capacity as provider of internal facilities to serve the acreage within its boundaries) will own and operate its internal facilities. The internal facilities are expected to be financed with unlimited tax bonds sold by each of the Participants. It is anticipated that the Master District Facilities will be constructed in stages to meet the needs of a continually expanding population within the Service Area. In the event that the Master District fails to finance or 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 paid by each Participant to the Master District is 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 \$31.91 for water and wastewater services and \$28.50 for firefighting services for fiscal year 2026.

Pursuant to the Master District Contract, each Participant is obligated to establish and maintain rates, fees, and charges for its water and wastewater services which, together with taxes levied and funds received from any other lawful sources, are sufficient at all times to pay operation and maintenance charges of the Master District, to pay other costs of operating and maintaining its own utility system, and to pay its obligations pursuant to the Master District Contract, including its Contract Payments. The Master District does not expect that revenues from the Participants' wastewater collection and water distribution systems will ever be sufficient to pay a significant portion of Contract Payments for application to debt service on the Contract Revenue Bonds, including the Bonds. All sums payable by each Participant to the Master District pursuant to the Master District Contract are to be paid by such Participant without set off, counterclaim, abatement, suspension, or diminution. If any Participant fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District's facilities by such Participant in addition to the Master District's other remedies pursuant to the Master District Contract. As a practical matter, the Participants have no alternative provider of the water and wastewater services rendered by the Master District under the Master District Contract. See "THE BONDS – Source of Payment."

Pursuant to the Master District Contract, the Master District owns or will own, construct, and/or acquire the Master District Park Facilities. The Master District 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, including the Master District, of its pro rata share of the Master District's then estimated Park Construction Charges. The Park Construction Charges will be computed from time to time on the basis of the then estimated total capital costs of providing the Master District Park Facilities for the Service Area minus the payments which have been previously received from the Participants as Park Construction Charges and dividing the result by the number of projected total connections to be constructed within the Service Area.

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

Each Participant is obligated severally, but not jointly, to make contract payments to the Master District in an amount sufficient to pay its debt service requirements on contract revenue bonds. At the time of delivery of the Bonds, the Master District will have \$86,310,000 principal amount of contract revenue bonds outstanding (inclusive of the Bonds). In addition, at the time of delivery of the Bonds, SRMUD will have \$23,185,000 principal amount of contract revenue bonds outstanding,



\$12,305,000 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 Master District, as a Participant, and the other Participants entered into 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 (currently \$25.00 per active connection and \$0.40 per 1,000 gallons for a renewal and replacement fee). The Master District currently has purchased capacity in two (2) water plants owned by SRMUD. SRMUD has constructed a regional wastewater treatment plant, which will treat the wastewater of the Service Area. See "MASTER DISTRICT FACILITIES – 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 SMUD5 is contractually obligated to pay its pro rata share of the annual debt service. At the time of delivery of the Bonds, \$12,305,000 principal amount of the Master District's obligation will remain outstanding. See "MASTER DISTRICT CONTRACT."

#### **THE MASTER DISTRICT**

##### **Management of the Master District**

The Master District is governed by the Board, consisting of five (5) directors, who have control over and management supervision of all affairs of the Master District. None of the present members of the Board reside within the Master District; however, they each own parcels of land within the Master District, subject to a note and a deed of trust. The directors serve four (4)-year staggered terms. Elections are held in even numbered years in May. The current members and officers of the Board are listed below:

Name	Title	Term Expires May
Joe Price	President	2028
Gary Ross	Vice President	2028
Douglas Earle	Secretary	2026
Dennis Parmer	Assistant Secretary	2026
Regina Morales	Assistant Vice President	2028

##### **Consultants**

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

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

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

### ***Bookkeeper***

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

### ***System Operator***

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

### ***Auditor***

As required by the Texas Water Code, the Master District retains an independent auditor to audit the Master District's financial statements annually, which are filed with the TCEQ. The Master District's audited financial statements for the fiscal year ended July 31, 2024, were audited by McGrath & Co., PLLC, Houston, Texas (the "Auditor"), and are attached hereto as "APPENDIX B – Financial Statements of the Participants."

### ***Engineers***

The Master District's engineer is Pape-Dawson Engineers, LLC, Houston, Texas (the "Master District Engineer"). The Participants' internal design engineer is LJA, Inc., Houston, Texas.

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

The Master 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 Master 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 Master District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information herein.

### ***The Service Area***

The Service Area contains approximately 3,424 acres, including a total of approximately 32 acres in the Master District. This approximate 3,424 acres is comprised of the land within the Master District, SMUD4, SMUD6, and SMUD7. The Participants (SMUD5, SMUD4, SMUD6, and SMUD7) have entered into the Master District Contract with the Master District. Pursuant to the Master District Contract, the Master District is obligated to provide the Master District Facilities to serve the land in the Service Area. The Service Area is located in the County, approximately 23 miles from the central business district of Houston. The Service Area lies within the Fort Bend County Independent School District.

The Service Area is part of Sienna. The Service Area does not include the adjacent Sienna community developed by JDC (herein defined), including SRMUD, SMUD2 (which was annexed by the City effective August 21, 2023, and was dissolved by the City effective December 19, 2023), SMUD3, SMUD10, SMUD12, and SMD.

### ***Status of Development Within the Service Area***

To date, development within the Service Area has occurred within the boundaries of SMUD4, SMUD6, and SMUD7. Within the Service Area, approximately 893.6 acres (2,166 lots) have been developed into the single-family residential subdivision of Sienna, Sections 1-6, 6B, 7, 7B, 7C, 8, 9, 9B, 10-12, 13A, 13B, 14, 15A, 15B, 16, 17A, 17B&C, 18, 19, 20-26, 45A, and 45B within SMUD4, approximately 1,089.5 acres (2,674 lots) have been developed into 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, 54, 55, 57, 59, 60, 62, 63, 64, 65, 66, 67, 68, 69A, and 69B within SMUD6, and approximately 105.6 acres (151 lots) have been developed into the single-family residential subdivision of Sienna, Sections 50A, 50B, 50C, and 51A within SMUD7. Approximately 6.5 acres (10 lots) are currently under development as the single-family residential subdivision of Sienna, Section 35B within SMUD6 and approximately 87.1 acres (224 lots) are currently under development as the single-family residential subdivision of Sienna, Sections 51B, 76, 81, and 83 within SMUD7. As of August 1, 2025, 4,231 homes were complete (4,095 occupied, 106 unoccupied, and 30 models), 152 homes were under construction, and 608 lots were developed and vacant.

In addition, a daycare, multiple grade schools, a CVS Pharmacy, a retail center, and a church have been constructed within the Service Area.

## **Homebuilders Active Within the Service Area**

Homebuilders active within the Service Area include Toll Brothers; Jamestown Estate Homes; Westin Homes; Shea Homes; David Weekley Homes; Tri Pointe Homes; Highland Homes; Perry Homes; Newmark Homes; Chesmar Homes; J. Patrick Homes; Beazer Homes; and Partners in Building. Homebuilding began in SMUD4 in early 2015, in SMUD6 in early 2019, and in SMUD7 in early 2024. Prices of new homes being constructed within the Service Area range in price from approximately \$300,000 to over \$1,500,000, and in size from approximately 1,500 square feet to over 7,000 square feet.

## **DESCRIPTION OF THE DEVELOPER**

### **Role of the Developer**

In general, the activities of a developer in a municipal utility district such as the Master District include purchasing the land within the Master District, designing the 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.

### **Principal Landowner/Developer**

The developer of land within the Service Area is Toll-GTIS Property Owner, LLC (the "Developer"), which is a joint venture between Toll Brothers, Inc. ("Toll Brothers") and GTIS Partners ("GTIS"). Johnson SS Management LLC, an affiliate of Johnson Development Corp. ("JDC"), has been hired as fee developer for the Developer. The Developer purchased the land in the Service Area 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 Service Area, to provide funds to pay taxes on property in the Service Area 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 Master District, and the description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer, Toll Brothers nor GTIS has any legal commitment to the Master District or owners of the Bonds to continue development of the land within the Service Area and the Developer may sell or otherwise dispose of its property within the Service Area, or any other assets, at any time. Further, the financial condition of the Developer, Toll Brothers, and GTIS is subject to change at any time.

## **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. 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 three (3) internal municipal utility districts (previously four (4), before Sienna Municipal Utility District No. 2 was annexed and dissolved by the City) and a management district, as well as an approximate 214-acre rural estate subdivision known as "The Woods at Sienna."

**Only the payments by the Participants within the Service Area (SMUD5, SMUD4, SMUD6, and SMUD7) are pledged as security for the Bonds.**

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).

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 SMUD2 (which was annexed by the City effective August 21, 2023, and was dissolved by the City effective December 19, 2023); SMUD3; SMUD4; SMUD6; SMUD7; SMUD10; SMUD12; SMD; and The Woods at Sienna. As of August 1, 2025, single-family residential development within Sienna was comprised of approximately 12,256 completed homes; approximately 172 homes under construction; approximately 608 vacant and developed lots; approximately 234 lots under development; and 104 rural estate lots (containing completed homes) in The Woods at Sienna.

**Only the property located within the Participants is obligated to make Contract Payments to the Master District, and none of the property located in the JDC Development is responsible for paying for bonds issued by the Master District.** Therefore, the investment security and quality of the Bonds is dependent upon the successful development of property located within the Service Area, and the payment and collection of taxes levied thereon. Development within the Service Area is discussed under "THE MASTER DISTRICT – Status of Development Within the Service Area." See "INVESTMENT CONSIDERATIONS" and "SIENNA – Development Agreement."

### **Development Agreement**

A prior owner of land within the Service Area entered into the Eighth Amendment to the Sienna Plantation Joint Development Agreement with the City on July 15, 2013 (the "Eighth Amendment"). The Eighth Amendment modifies the terms of the original Sienna Plantation Joint Development Agreement (entered into in February 19, 1996) as it pertains to the land now owned by the Developer (referred to in the Eighth Amendment as "Tract B" but referred to herein as the Service Area); and clarifies that unless expressly set forth in the Eighth Amendment, none of the terms of the preceding seven (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 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 Participant, or maintaining any facilities not accepted by the City.

## **MASTER DISTRICT FACILITIES**

### **General – The System**

The internal water distribution, wastewater collection, and stormwater facilities are being provided by the Participants. 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. All of such water, wastewater, and

drainage facilities are referred to herein as the "System." The Master District will finance all of the Master District Road Facilities (and subsequently conveyed to the County for ownership and operation), Master District Fire Facilities (owned and operated by the City), and Master District Park Facilities (owned and operated by the Master District or SPLID). The Master District, pursuant to the Master District Contract, has the responsibility to finance such regional facilities necessary to serve the Service Area, and will convey such facilities to SRMUD upon completion. See "MASTER DISTRICT CONTRACT WITH SRMUD." SRMUD owns and operates all regional utility facilities that serve Sienna. Flood protection and certain stormwater drainage facilities are being provided by SPLID.

### **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 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 Master 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 System.

### **Water Supply**

The Service Area'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 is 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 17,021 equivalent single-family residential connections ("ESFCs"). As of August 2025, SRMUD was serving approximately 13,753 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 Service Area 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 1,746,000 gpd, approximately 97% of its permitted flow. There is approximately 54,000 gpd of available permitted treatment capacity at the plant, which represents approximately seven (7) months of development at the current pace. A 600,000 gpd expansion is underway and is approximately 96% complete.

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 SMUD5 is contractually obligated to pay its pro rata share of the annual debt service. At the time of delivery of the Bonds, \$12,305,000 principal amount of the Master District's obligation will remain outstanding. SRMUD is currently constructing a 600,000 gpd expansion to the plant, which is expected to be completed by the end of 2025. See "MASTER DISTRICT CONTRACT."

The North region is served by the City's Steep Bank/Flat Bank WWTP. The Master District owns 1.5 million gallons per day of capacity in the plant which is sufficient for full development of the North region.

### **Operation of the System**

SRMUD funds the operations of its system through monthly charges to its participants ("Monthly Connection Charge"). The Monthly Connection Charge for fiscal year 2026 is currently \$25.00 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 \$0.40 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 require that its participants, including SMUD5, fund the repairs.

## **Master District Road Facilities**

The Master District, in its capacity as the provider of the Master District Road Facilities, will construct the Master District Road Facilities. The major thoroughfare and collectors 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 Master District Road Facilities for operating and maintenance and is responsible for operation and maintenance thereof. In the event the County were to fail to accept the Master District Road Facilities, the Master District is expected to include the cost of maintenance of same in the Master District's operation and maintenance expenses to be shared by the Participants in accordance with the Master District Contract, and such cost could be significant.

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

## **Fire Protection**

Fire protection to residents of the Master District is provided by the Missouri City Fire Department from an 8,400 square foot fire station located on Sienna Parkway ("Fire Station No. 5"). A second 7,700 square foot fire station has been constructed and is located along Waters Lake Boulevard. Residents of the Master District currently pay \$28.50 per month for fiscal year 2026 for fire protection from the City. The City adjusts the fire protection fee annually.

The Master District has issued its Contract Revenue Fire Bonds to pay its pro rata share of Fire Station No. 5.

## **THE FLOOD PROTECTION SYSTEM**

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

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 Service Area 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 Service Area may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the Service Area. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. On January 1, 2020, the County adopted Atlas 14 criteria for all new development within the County. However, existing development was exempt from these requirements.

The Flood Protection System and homes in the Service Area have been constructed in compliance with all design standards in effect at the time of construction. Moreover, even absent any additional improvements to the current Flood Protection System, the engineer estimates, but does not guarantee, that based on the design standards at the time of construction that required foundational slabs to be built at least one (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 Service Area (i.e. based on the current state of the Flood Protection System, an Atlas 14 100-year flooding event would likely not be more than 1.5 feet greater than a 100-year flooding event estimated by past design standards).

Notwithstanding the information provided above regarding the Flood Protection System, the Flood Protection System does not protect against, and no flood protection system can protect against, all flooding scenarios. Further, because any definition of the composition of the "100-year flood plain" is based on statistical averages, it is possible that 100-year flooding events can occur more often than every 100 years. In fact, the greater Houston area has experienced three (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"), which includes the Service Area. The original levee and related outfall structures and channels were completed in 1984.

According to SPLID's engineer, as a result of the construction of the facilities financed by SPLID, all land located within the South Levee System was removed from the FEMA SFHA of the Brazos River. Such area located within SPLID is now designated by the applicable FEMA Flood Hazard Boundary Map as lying within a designated "shaded Zone X," which designates an area protected from the Brazos River BFE by a levee. As a result of SPLID's construction of the levee, internal detention and drainage systems, SPLID's engineer has defined "internal" SFHAs (100-year flood plain) that comply with current design standards. The lowest foundational slab elevation for residential construction, as required by applicable federal and local regulations, are at least one (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 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 Service Area, 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, SPLID 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 has issued such bonds. 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 has finished construction of the second phase of a second stormwater pump station to serve the South Levee System. Such pump station provides 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. The South Levee System is now served by two (2) pump stations with a combined pumping capacity of 799,500 gpm. A third pump station to service the South Levee System with a pumping capacity of 400,500 gpm is under construction and is anticipated to be completed in 2026. SPLID has finished construction of a stormwater pump station to serve the area known as Acreage Estates within the North Levee System. This portion of the North Levee System currently meets all criteria through storage of rainfall in a lake system. The pump station provides additional protection with 40,000 gpm of pumping capacity.

**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 under construction and is anticipated to be completed in 2025.

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

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## MASTER DISTRICT DEBT

### General

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

#### Master Direct Debt:

The Outstanding Bonds (at the time of delivery of the Bonds) .....	\$	86,310,000	
The Bonds .....		<u>17,000,000</u>	
Total Direct Debt.....	\$	<u>103,310,000</u>	
Estimated Overlapping Debt.....		<u>393,657,472</u>	(a)
Total Direct and Estimated Overlapping Debt.....	\$	<u>496,967,472</u>	
Contract Revenue System Debt Service Fund Balance (as of August 4, 2025) .....	\$	4,366,081	(b)(d)(e)
Contract Revenue Road Debt Service Fund Balance (as of August 4, 2025).....	\$	3,643,191	(c)(d)(e)

(a) See "MASTER DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."

(b) Neither Texas law nor the Bond Resolution requires that the Master District maintain any particular sum in the Contract Revenue System Debt Service Fund. Money deposited into the Contract Revenue System Debt Service Fund can only be used to pay debt service on the Contract Revenue System Bonds, such as the Bonds, and the Contract Revenue Fire Bonds.

(c) Neither Texas law nor the Bond Resolution requires that the Master District maintain any particular sum in the Contract Revenue Road Debt Service Fund. Money deposited into the Contract Revenue Road Debt Service Fund can only be used to pay debt service on the Contract Revenue Road Bonds.

(d) Funds deposited into the Contract Revenue System Debt Service Fund are not pledged to the Contract Revenue Road Bonds, nor are funds deposited into the Contract Revenue Road Debt Service Fund pledged to the Contract Revenue System Bonds, such as the Bonds, or to the Contract Revenue Fire Bonds.

(e) Each Participant is obligated to pay a pro rata share of debt service on the Contract Revenue Bonds by the dates specified by the Master District. See "THE BONDS – Contract Payments by the Participants, "THE BONDS – Unconditional Obligation to Pay," and "MASTER DISTRICT CONTRACT."

## Assessed Valuations of the Participants

Participant	2025 Gross Certified Assessed Valuation (a)	Percent of Total	Estimated Gross Assessed Valuation as of July 15, 2025 (b)	Percent of Total
SMUD4 (c)	\$ 1,215,277,486	52.62%	\$ 1,218,183,255	49.50%
SMUD5	788,190	0.03%	788,190	0.03%
SMUD6 (d)	1,049,792,038	45.46%	1,184,731,822	48.14%
SMUD7 (e)	43,555,577	1.89%	57,099,436	2.32%
Total	\$ 2,309,413,291	100.00%	\$ 2,460,802,703	100.00%

- (a) Represents the assessed valuation of all taxable property located within the Participant as of January 1, 2025, as provided by the Appraisal District. The Participant's tax roll is certified by the Appraisal Review Board. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the value of all taxable property located within the Participant as of July 15, 2025, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2025, through July 15, 2025. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Such amount includes \$2,360,677 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board. Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board.
- (d) Such amount includes \$5,579,679 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.
- (e) Such amount includes \$488,089 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board. Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board.

## Tax Rates of the Participants

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

Participant	2024 Debt Service Tax Rate	2024 Maintenance Tax Rate	2024 Contract Tax Rate	Total 2024 Tax Rate (c)
SMUD4	\$ 0.565	\$ 0.050	\$ 0.320	\$ 0.935
SMUD5 (a)(b)	0.000	0.000	0.000	0.000
SMUD6	0.705	0.020	0.325	1.050
SMUD7	0.000	0.710	0.340	1.050

- (a) SMUD5 has not levied a tax rate to date, but may levy a tax rate at a future date.
- (b) Until such time as SMUD5 levies a Contract Tax, Contract Payments will be paid from operating funds advanced by the Developer. See "INVESTMENT CONSIDERATIONS – Dependence on Major Taxpayers and the Developer."
- (c) SMUD4 has authorized publication of a total tax rate of \$0.935 per \$100 of assessed valuation for the 2025 tax year. SMUD5 will not levy a tax rate for the 2025 tax year. SMUD6 has authorized publication of a total tax rate of \$1.050 per \$100 of assessed valuation for the 2025 tax year. SMUD7 has authorized publication of a total tax rate of \$1.050 per \$100 of assessed valuation for the 2025 tax year.

## Debt Ratios

	2025 Gross Certified Assessed Valuation of the Participants	Estimated Gross Assessed Valuation of the Participants as of July 15, 2025
Direct Debt (a)(b)	4.47%	4.20%
Total Direct and Estimated Overlapping Debt (a)(b)	21.52%	20.20%

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

## Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the Master 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 Master District, the Master 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 Master District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Debt as of July 31, 2025	Estimated Overlapping Debt	
		Percent	Amount
The County	\$ 1,043,973,859	1.78%	\$ 18,613,064
Fort Bend County Drainage District	21,645,000	1.80%	388,581
Fort Bend Independent School District	1,926,445,000	4.16%	80,135,887
SRMUD (a)	12,305,000	100.00%	12,305,000
SMUD4 (b)	99,515,000	100.00%	99,515,000
SMUD6 (c)	114,425,000	100.00%	114,425,000
SMUD7 (d)	3,950,000	100.00%	3,950,000
SPLID	211,755,000	30.38%	64,324,940
Total Estimated Overlapping Debt			<u>\$ 393,657,472</u>
The Master District (Total Direct Debt) (e)			<u>\$ 103,310,000</u>
Total Direct and Estimated Overlapping Debt (e)			<u>\$ 496,967,472</u>

- (a) In May 2018, SRMUD issued \$25,010,000 principal amount of contract revenue bonds through the Texas Water Development Board for the construction of a permanent wastewater plant to serve Sienna. Of the \$25,010,000 principal amount issued, \$12,695,000 principal amount is attributable to the Master District (on behalf of the Participants), of which SMUD5 is contractually obligated to pay its pro rata share of the annual debt service. At the time of delivery of the Bonds, \$12,305,000 principal amount of the Master District's obligation will remain outstanding.
- (b) SMUD4 plans to issue \$3,280,000 principal amount of unlimited tax bonds in October 2025. Such bonds are included in SMUD4's outstanding debt amount.
- (c) SMUD6 plans to issue \$22,100,000 principal amount of unlimited tax bonds in October 2025. Such bonds are included in SMUD6's outstanding debt amount.
- (d) SMUD7 plans to issue \$3,950,000 principal amount of unlimited tax bonds in October 2025. Such bonds are included in SMUD7's outstanding debt amount.
- (e) Includes the Bonds.

**PHOTOGRAPHS TAKEN WITHIN THE SERVICE AREA  
(SMUD4 – August 2025)**



**PHOTOGRAPHS TAKEN WITHIN THE SERVICE AREA  
(SMUD6 – August 2025)**





**PHOTOGRAPHS TAKEN WITHIN THE SERVICE AREA  
(SMUD7 - August 2025)**



## **TAXING PROCEDURES**

### **Authority to Levy Taxes**

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

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

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of Texas. 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 Participants in establishing their tax rolls and tax rate. See "TAXING PROCEDURES – Valuation of Property for Taxation."

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

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in in each Participant are subject to taxation by that Participant. Principal categories of exempt property include, but are not limited to: property owned by Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, each Participant may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The Participants may be required to offer such exemptions if a majority of voters approve same at an election. The Participants would be required to call an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The Participants are authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the Participant's obligation to pay tax supported debt incurred prior to adoption of the exemption by the Participant. Furthermore, the Participants must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the 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. To date, SMUD4 has granted a \$20,000 exemption for persons over 65 years of age and for disabled persons and SMUD6 has granted a \$5,000 exemption for persons over 65 years of age and for disabled persons.

**Residential Homestead Exemptions:** The Property Tax Code authorizes the governing body of each political subdivision in 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. To date, none of the Participants have adopted a homestead exemption.

**Freeport Goods and Goods-in-Transit Exemption:** A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the Participants do not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 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 Participants may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The Participants have taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

#### **Tax Abatement**

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

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

Generally, property in the Service Area must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the Participants in establishing their 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 Participants 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 Participants, however, at their expense, have the right to obtain from the Appraisal District a current estimate of appraised values within that Participant or an estimate of any new property or improvements within that Participant. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the Service Area, it cannot be used for establishing a tax rate within the Service Area until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

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. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the Participants, adopting its tax rate for the tax year. A taxing unit, such as the Participants, 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.

The 89<sup>th</sup> Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Texas Legislature meets in regular session in odd numbered years for 140 days. When the Texas Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the District. On August 15, 2025, the Governor called the second special session, which began on August 15, 2025, and concluded on September 4, 2025. No third special session has been called at this time. The District can make no representation regarding any actions the Texas Legislature may take or the effect of such actions.

### **Participant and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units, including the Participants, 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 Participants and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

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

The Participants are 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 that Participant, based upon: a) the valuation of property within that Participant as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 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 Participant and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the Participant 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 Participant, may be rejected by taxing units. The Participant's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of 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 Participants, 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 Participants, 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 Maintenance and Operations 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 Participants 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 Property 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*

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

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

Taxes levied by the Participants 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 Participants, having the power to tax the property. The Participants' 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 Participants 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 Participants 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 Participants 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**

### **Contract Tax**

The Master District has the authority to issue Contract Revenue Bonds. Each Participant's pro rata share of the debt service requirements on the Contract Revenue Bonds shall be determined by dividing each Participant's Gross Certified Assessed Valuation by the total of all Participants' Gross Certified Assessed Valuation, calculated annually. Calculation of the Contract Payments is based upon the Gross Certified Assessed Valuation and does not make allowances for any exemption granted by the Participants; however, allowances are made for exemptions provided under State law that do not require action by the Participants. See "TAXING PROCEDURES." The Master District Contract obligates each Participant to pay its pro rata share of debt service requirements on the Contract Revenue Bonds from the proceeds of annual unlimited Contract Taxes, from revenues derived from the operation of its water distribution and wastewater collection systems, or from any other legally available funds. The debt service requirement shall include principal, interest, and redemption requirements on the Contract Revenue Bonds, paying agent/registrar fees, and all amount necessary to establish and maintain funds established under the applicable bond resolution.

### **Debt Service Tax**

Each Participant has the statutory authority to issue its unlimited tax bonds for the purpose of providing facilities to serve the land within its boundaries. Such bonds will be paid by a direct continuing annual ad valorem tax, without legal limit as to rate or amount, adequate to provide funds to pay the principal of and interest on such bonds. Such tax is in addition to Contract Taxes. See "APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS" for information related to each Participant's historical tax data and authorized but unissued unlimited tax bonds. For the 2025 tax year, SMUD5 does not anticipate to levy a debt service tax rate.

### **Maintenance and Operations Tax**

The Board of Directors of each Participant has the statutory authority to levy and collect an annual ad valorem tax for maintenance purposes, including, but not limited to, funds for planning, constructing, maintaining, repairing, and operating all necessary land, plants, works facilities, improvements, appliances, and equipment, if such maintenance and operations tax is authorized by a vote of the Participant's electors. Such tax would be in addition to Contract Taxes and taxes levied for paying principal of and interest on any unlimited tax bonds which may be issued by the Participants. For the 2025 tax year, SMUD5 does not anticipate levying a maintenance and operations tax rate. See "APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS" for the amount of voter authorized maintenance and operations tax for each Participant.

### **Tax Rate Limitation**

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

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

## Analysis of Tax Base

The following represents the type of property comprising the 2025 tax rolls of each Participant as certified by the Appraisal District.

Type of Property	SMUD4 2025 Gross Certified Assessed Valuation (a)	SMUD5 2025 Gross Certified Assessed Valuation	SMUD6 2025 Gross Certified Assessed Valuation (b)	SMUD7 2025 Gross Certified Assessed Valuation (c)
Land	\$ 236,576,898	\$ 785,000	\$ 259,671,327	\$ 33,636,675
Improvements	1,116,466,995	3,190	983,294,420	10,419,867
Personal Property	1,579,951	-	1,591,709	150,367
Exemptions	<u>(141,707,035)</u>	<u>-</u>	<u>(200,345,097)</u>	<u>(1,139,421)</u>
Total	\$ 1,212,916,809	\$ 788,190	\$ 1,044,212,359	\$ 43,067,488

- (a) Such amount does not include \$2,360,677 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board. Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board.
- (b) Such amount does not include \$5,579,679 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.
- (c) Such amount does not include \$488,089 of assessed valuation assigned to properties that remain under review by the Appraisal Review Board. Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board.

## Principal Taxpayers

The following are the principal taxpayers within the Service Area as shown on each Participant's certified appraisal rolls for the 2025 tax year.

Taxpayer	Assessed Valuation 2025 Tax Roll
TOLL-GTIS PROPERTY OWNER LLC (a)	\$ 50,970,280
TOLL HOUSTON TX LLC (b)	25,352,693
PERRY HOMES LLC (b)	13,986,396
CHESMAR HOMES LLC (b)	7,045,050
WESTIN HOMES & PROPERTIES LP (b)	6,197,458
NEWMARK HOMES HOUSTON LLC (b)	5,674,732
SIENNA PKWY RETAIL LLC	5,375,510
J PATRICK HOMES LTD (b)	4,538,103
SHEA HOMES HOUSTON LLC (b)	4,208,642
SPIRIT REALTY LP	<u>3,950,000</u>
Total	\$ 127,298,864
Percent of Respective Tax Roll	5.55 %

- (a) See "DESCRIPTION OF THE DEVELOPER."
- (b) See "THE MASTER DISTRICT - Homebuilders Active Within the Service Area."

## Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation which would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth occurs beyond the 2025 Gross Certified Assessed Valuation of the Participants (\$2,309,413,291) and the Estimated Gross Assessed Valuation of the Participants as of July 15, 2025 (\$2,460,802,703). The calculations assume collection of 95% of taxes levied and the sale of the Bonds but not the sale of any additional bonds by the Master District.

Average Annual Debt Service Requirement (2026-2050).....	\$ 5,976,167
Contract Tax Rate of \$0.28 on the 2025 Gross Certified Assessed Valuation Produces .....	\$ 6,143,039
Contract Tax Rate of \$0.26 on the Estimated Gross Assessed Valuation of the Participants as of July 15, 2025, Produces.....	\$ 6,078,183
Maximum Annual Debt Service Requirement (2041).....	\$ 6,953,613
Contract Tax Rate of \$0.32 on the 2025 Gross Certified Assessed Valuation Produces .....	\$ 7,020,616
Contract Tax Rate of \$0.30 on the Estimated Gross Assessed Valuation of the Participants as of July 15, 2025, Produces.....	\$ 7,013,288

## Estimated Overlapping Taxes

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

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions, or any other charges made by entities other than political subdivisions. The following chart includes the 2024 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

Taxing Jurisdictions	2024 Tax Rate Per \$100 of Assessed Valuation
The Participants (a)	\$ 1.050000
The County	0.412000
Fort Bend County Drainage District	0.010000
Fort Bend Independent School District	0.986900
SPLID	0.412500
Total Tax Rate	\$ 2.871400

(a) Represents the highest tax rate for all the Participants.

## LEGAL MATTERS

### Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the Master District under the Constitution and laws of Texas, payable from Contract Payments, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; 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 in this Official Statement under "THE BONDS (except for information under the subheadings "Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "THE PARTICIPANTS," "MASTER DISTRICT CONTRACT," "MASTER DISTRICT CONTRACT WITH SRMUD," "TAXING PROCEDURES" "LEGAL MATTERS (as it relates to the opinion of Bond Counsel)," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (except for information under the subheading "Compliance With Prior Undertakings.") solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein and conforms to the provisions of the Bond Resolution 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 Master 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 Master District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

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

The Master District will furnish the Initial Purchaser a certificate, executed by the 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 Master District, or the title of the officers thereof to their respective offices.

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

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

### **TAX MATTERS**

**The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.**

#### **Tax Exemption**

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Code and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

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 bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The Master District has covenanted in the Bond Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the Master District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the Master District and such parties, which Bond Counsel has not independently verified. If the Master District fails to comply with the covenants in the Bond Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Bond Resolution upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

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 thereof. 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 as to whether the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Master District as the taxpayer, and the Owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds, regardless of the ultimate outcome of the audit.

### **Not Qualified Tax-Exempt Obligations**

The Bonds have not been designated as “qualified tax-exempt obligations” for financial institutions.

### **Additional Federal Income Tax Considerations**

#### **Collateral Tax Consequences**

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An “applicable corporation” (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its “adjusted financial statement income” (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation’s “adjusted financial statement income,” ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also 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, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax 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.

Prospective purchasers of the Bonds should also be aware that, 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.

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

If the issue price of any maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the “Premium Bonds”) are considered for federal income tax purposes to have “bond premium” equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

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

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

If the issue price of any maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “OID Bonds”), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, 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 OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “TAX MATTERS – Tax Exemption,” “TAX MATTERS – Additional Federal Income Tax Considerations – *Collateral Tax Consequences*,” and “TAX MATTERS – Additional Federal Income Tax Considerations – *Tax Legislative Changes*” generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such OID Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such OID Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such OID Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the Master District nor Bond Counsel has made any investigation or offers any assurance that the OID Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each OID Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such OID Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and 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 (ii) 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 OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of OID 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 OID Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such OID Bonds.

#### Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could 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 recently enacted, proposed, pending or future legislation.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Resolution, the Master District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Master District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Master District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified 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 Master District will provide certain updated financial information and operating data to the MSRB annually.

The information to be updated with respect to the Master District includes all quantitative financial information and operating data of the general type included under "MASTER DISTRICT DEBT," (except under the subheading "Estimated Overlapping Debt Statement"), "TAX DATA," "APPENDIX A – Certain Financial Information Regarding the Participants," and "APPENDIX B – Financial Statements of the Participants." The Master District will update and provide this information within six (6) months after the end of each of its fiscal years ending in or after 2025. The Master District will provide the updated information to EMMA.

The financial information and operating data which will be provided with respect to the Master District and the Participants is found in "APPENDIX A – CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS" and "APPENDIX B – FINANCIAL STATEMENTS OF THE PARTICIPANTS."

The Master District will provide the updated information to the MSRB through its EMMA system. The Master District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 of the Securities Exchange Act (the "Rule"). The updated information will include audited financial statements if an audit is commissioned and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the Master District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six (6) month period, and audited financial statements when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution, or such other accounting principles as the Master District and the Participants may be required to employ from time to time pursuant to state law or regulation.



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

### **Event Notices**

The Master District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of 10 business days after the occurrence of an event. The Master District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the 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 Master District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the Master District or other obligated person or the sale of all or substantially all of the assets of the Master 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 Master 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 Master 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 Master 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 the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution make any provision for debt service reserves or liquidity enhancement. In addition, the Master District will provide timely notice of any failure by the Master District to provide information, data, or financial statements in accordance with its agreement discussed under "CONTINUING DISCLOSURE OF INFORMATION – Annual Reports."

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

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

### **Limitations and Amendments**

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

The Master District may amend its continuing disclosure agreement 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 Master 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 Master 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 Master District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the Master District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement 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**

During the last five (5) years, the Master 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 Master District's records, the Master District 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 Master District's financial statements for the fiscal year ended July 31, 2024, were audited by the Auditor and are attached hereto as "APPENDIX B – FINANCIAL STATEMENTS OF THE PARTICIPANTS." The Auditor has consented to the publication of such financial statements herein.

### **Experts**

The information contained in the Official Statement relating to engineering and to the description of Master District Facilities, and, in particular, that engineering information included under "THE MASTER DISTRICT – Status of Development" and "MASTER DISTRICT FACILITIES," has been provided by the Master District Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to development and the status of development within the Master District generally and, in particular, the information under "THE MASTER DISTRICT – Status of Development" and "DESCRIPTION OF THE DEVELOPER – Principal Landowner/Developer," has been provided by the Developer and has been included herein in reliance upon their authority and knowledge of such party concerning the matters described therein.

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

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

### **Updating of Official Statement**

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

## **CONCLUDING STATEMENT**

The information set forth herein has been obtained from the Master District's records, audited financial statements, and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained

herein will ever be realized. All of the summaries of the statutes, documents, and resolutions contained 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. 5 as of the date shown on the cover of this Official Statement.

/s/ Joe Price  
President, Board of Directors  
Sienna Municipal Utility District No. 5

ATTEST:

/s/ Douglas Earle  
Secretary, Board of Directors  
Sienna Municipal Utility District No. 5

## APPENDIX A

### CERTAIN FINANCIAL INFORMATION REGARDING THE PARTICIPANTS

#### SIENNA MUNICIPAL UTILITY DISTRICT NO. 4

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds (and Refunding) .....	\$ 265,300,000
Voter Authorized Unlimited Tax Road Bonds (and Refunding) .....	\$ 166,300,000
Voter Authorized Unlimited Tax Park Bonds (and Refunding) .....	\$ 68,200,000
Total Principal Amount of Unlimited Tax Bonds Issued .....	\$ 111,025,000 (a)
Debt Service Tax Limitation (per \$100 of Assessed Valuation) .....	Unlimited
Maintenance and Operations Tax Limitation (per \$100 of Assessed Valuation) .....	\$ 1.500
Maintenance and Operations Tax for Road Facilities Limitation (per \$100 of Assessed Valuation) .....	\$ 0.250
Contract Tax Limitation .....	Unlimited
Gross Outstanding Direct Debt .....	\$ 99,515,000 (a)
2025 Gross Certified Assessed Valuation .....	\$ 1,215,277,486
Estimated Gross Assessed Valuation as of July 15, 2025 .....	\$ 1,218,183,255
2025 Gross Certified Assessed Valuation as a Percentage of the:	
2025 Gross Certified Assessed Valuation of the Participants .....	52.62 %
Estimated Gross Assessed Valuation of the Participants as of July 15, 2025 .....	49.50 %
Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (\$5,976,167) (2026-2050):	
Pro Rata Share Based on the 2025 Gross Certified Assessed Valuation .....	\$ 3,144,825
Pro Rata Share Based on the Estimated Gross Valuation as of July 15, 2025 .....	\$ 2,958,411
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (\$6,953,613) (2041):	
Pro Rata Share Based on the 2025 Gross Certified Assessed Valuation .....	\$ 3,659,184
Pro Rata Share Based on the Estimated Gross Valuation as of July 15, 2025 .....	\$ 3,442,281
<b>Tax Rate Required to Pay Pro Rata Share of the Outstanding Bonds and the Bonds Based Upon the 2025 Certified Gross Assessed Valuation at 95% Collections:</b>	
Average Annual Debt Service Requirement .....	\$ 0.28
Maximum Annual Debt Service Requirement .....	\$ 0.32
<b>Tax Rate Required to Pay Pro Rata Share of the Outstanding Bonds and the Bonds Based Upon the Estimated Gross Assessed Valuation as of July 15, 2025, at 95% Collections:</b>	
Average Annual Debt Service Requirement .....	\$ 0.26
Maximum Annual Debt Service Requirement .....	\$ 0.30
<b>Status of Single-Family Development as of August 1, 2025:</b>	
Approximate Total Developed Acreage .....	893.6
Single-Family Homes .....	2,153 (b)
Total Developed Lots .....	2,166

(a) SMUD4 plans to issue \$3,280,000 principal amount of unlimited tax bonds in October 2025. Such bonds are included in SMUD4's issued and outstanding debt amounts (as of August 1, 2025).

(b) Occupied homes only.

## Principal Taxpayers

The following represents the principal taxpayers on SMUD4's 2025 tax roll, as certified by the Appraisal District.

Taxpayer	Assessed Valuation 2025 Tax Roll
SIENNA PKWY RETAIL LLC	\$ 5,375,510
2830 MP INVESTORS	3,696,653
TOLL-GTIS PROPERTY OWNER LLC	3,210,880
PERRY HOMES LLC	3,143,527
HOMEOWNER	1,755,427
HOMEOWNER	1,732,397
HOMEOWNER	1,699,452
HOMEOWNER	1,623,338
HOMEOWNER	1,583,553
SIENNA BLUE TRIANGLE LLC	<u>1,553,815</u>
Total	\$ 25,374,552

Percent of Respective Tax Roll (Certified) (a) 2.10 %

(a) Based on SMUD4's total taxable assessed valuation as of January 1, 2025.

## Historical Tax Collections

The following represents the historical tax collections for SMUD4's 2020-2024 tax years.

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 09/30	Collections 07/31/2025
2020	\$ 562,944,713	\$ 1.050	\$ 5,910,919	99.64 %	2021	100.00 %
2021	709,551,317	1.050	7,450,289	99.48 %	2022	100.00 %
2022	927,440,245	1.020	9,459,890	99.68 %	2023	99.93 %
2023	1,073,320,572	0.980	10,518,542	99.50 %	2024	99.87 %
2024	1,164,852,801	0.935	10,891,374	98.83 % (b)	2025	98.83 % (b)

(a) Total tax rate per \$100 of assessed valuation for each respective tax year.

(b) In process of collections.

SMUD4 has authorized publication of a total tax rate of \$0.935 per \$100 of assessed valuation for the 2025 tax year.

## Tax Rate Distribution

The following represents the components of the tax rate for SMUD4's 2020-2024 tax years.

	2024	2023	2022	2021	2020
Utility System Debt Service	\$ 0.325	\$ 0.280	\$ 0.310	\$ 0.365	\$ 0.410
Road System Debt Service	0.240	0.265	0.260	0.165	0.165
Maintenance and Operations	0.050	0.080	0.125	0.135	0.135
Contract	<u>0.320</u>	<u>0.355</u>	<u>0.325</u>	<u>0.385</u>	<u>0.340</u>
Total	\$ 0.935	\$ 0.980	\$ 1.020	\$ 1.050	\$ 1.050

SMUD4 has authorized publication of a total tax rate of \$0.935 per \$100 of assessed valuation for the 2025 tax year.

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

## **(IN ITS CAPACITY AS A PARTICIPANT)**

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds (and Refunding) .....	\$	12,300,000
Voter Authorized Unlimited Tax Road Bonds.....	\$	9,200,000
Voter Authorized Unlimited Tax Park Bonds.....	\$	2,900,000
Total Principal Amount of Unlimited Tax Bonds Issued.....	\$	-
Debt Service Tax Limitation (per \$100 of Assessed Valuation) .....		Unlimited
Maintenance and Operations Tax Limitation (per \$100 of Assessed Valuation) .....	\$	1.500
Maintenance and Operations Tax for Road Facilities Limitation (per \$100 of Assessed Valuation) .....	\$	0.250
Contract Tax Limitation.....		Unlimited
Gross Outstanding Direct Debt.....	\$	-
2025 Gross Certified Assessed Valuation.....	\$	788,190
Estimated Gross Assessed Valuation as of July 15, 2025.....	\$	788,190
2025 Gross Certified Assessed Valuation as a Percentage of the:		
2025 Gross Certified Assessed Valuation of the Participants .....		0.03 %
Estimated Gross Assessed Valuation of the Participants as of July 15, 2025 .....		0.03 %
Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (\$5,976,167) (2026-2050):		
Pro Rata Share Based on the 2025 Gross Certified Assessed Valuation .....	\$	2,040
Pro Rata Share Based on the Estimated Gross Valuation as of July 15, 2025 .....	\$	1,914
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (\$6,953,613) (2041):		
Pro Rata Share Based on the 2025 Gross Certified Assessed Valuation .....	\$	2,373
Pro Rata Share Based on the Estimated Gross Valuation as of July 15, 2025 .....	\$	2,227
<b>Tax Rate Required to Pay Pro Rata Share of the Outstanding Bonds and the Bonds Based Upon the 2025 Certified Gross Assessed Valuation at 95% Collections:</b>		
Average Annual Debt Service Requirement.....	\$	0.28 (a)
Maximum Annual Debt Service Requirement.....	\$	0.32 (a)
<b>Tax Rate Required to Pay Pro Rata Share of the Outstanding Bonds and the Bonds Based Upon the Estimated Gross Assessed Valuation as of July 15, 2025, at 95% Collections:</b>		
Average Annual Debt Service Requirement.....	\$	0.26 (a)
Maximum Annual Debt Service Requirement.....	\$	0.30 (a)

- (a) For the 2025 tax year, SMUD5 does not intend to levy a contract tax and its pro rata share of the Outstanding Bonds and the Bonds will be made from a developer advance to SMUD5's general fund.

### Principal Taxpayers

The following represents the principal taxpayers on SMUD5's 2025 tax roll, as certified by the Appraisal District.

Taxpayer	Assessed Valuation 2025 Tax Roll
TOLL-GTIS PROPERTY OWNER LLC	\$ 7,246
HOMEOWNER	1,000
HOMEOWNER	1,000
HOMEOWNER	1,000
HOMEOWNER	1,000
HOMEOWNER	<u>1,000</u>
Total	\$ 12,246
Percent of Respective Tax Roll (Certified) (a)	100.00 %

---

(a) Based on SMUD5's total taxable assessed valuation as of January 1, 2025.

# **SIENNA MUNICIPAL UTILITY DISTRICT NO. 6**

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds (and Refunding) .....	\$	347,000,000
Voter Authorized Unlimited Tax Road Bonds (and Refunding) .....	\$	199,500,000
Voter Authorized Unlimited Tax Park Bonds (and Refunding) .....	\$	78,800,000
Total Principal Amount of Unlimited Tax Bonds Issued .....	\$	116,260,000 (a)
Debt Service Tax Limitation (Per \$100 of Assessed Valuation) .....		Unlimited
Maintenance and Operations Tax Limitation (per \$100 of Assessed Valuation) .....	\$	1.500
Maintenance and Operations Tax for Road Facilities Limitation (per \$100 of Assessed Valuation) .....		\$ 0.250
Contract Tax Limitation .....		Unlimited
Gross Outstanding Direct Debt .....	\$	114,425,000 (a)
2025 Gross Certified Assessed Valuation .....	\$	1,049,792,038
Estimated Gross Assessed Valuation as of July 15, 2025 .....	\$	1,184,731,822
2025 Gross Certified Assessed Valuation as a Percentage of the:		
2025 Gross Certified Assessed Valuation of the Participants .....		45.46 %
Estimated Gross Assessed Valuation of the Participants as of July 15, 2025 .....		48.14 %
Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (\$5,976,167) (2026-2050):		
Pro Rata Share Based on the 2025 Gross Certified Assessed Valuation .....	\$	2,716,592
Pro Rata Share Based on the Estimated Gross Valuation as of July 15, 2025 .....	\$	2,877,173
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (\$6,953,613) (2041):		
Pro Rata Share Based on the 2025 Gross Certified Assessed Valuation .....	\$	3,160,910
Pro Rata Share Based on the Estimated Gross Valuation as of July 15, 2025 .....	\$	3,347,756
<b>Tax Rate Required to Pay Pro Rata Share of the Outstanding Bonds and the Bonds Based Upon the 2025 Certified Gross Assessed Valuation at 95% Collections:</b>		
Average Annual Debt Service Requirement .....	\$	0.28
Maximum Annual Debt Service Requirement .....	\$	0.32
<b>Tax Rate Required to Pay Pro Rata Share of the Outstanding Bonds and the Bonds Based Upon the Estimated Gross Assessed Valuation as of July 15, 2025, at 95% Collections:</b>		
Average Annual Debt Service Requirement .....	\$	0.26
Maximum Annual Debt Service Requirement .....	\$	0.30
<b><u>Status of Single-Family Development as of August 1, 2025:</u></b>		
Approximate Total Developed Acreage .....		1,089.5
Single-Family Homes .....		1,921 (b)
Total Developed Lots .....		2,674

- (a) SMUD6 plans to issue \$22,100,000 principal amount of unlimited tax bonds in October 2025. Such bonds are included in SMUD6's issued and outstanding debt amounts (as of August 1, 2025).
- (b) Occupied homes only.



## Principal Taxpayers

The following represents the principal taxpayers on SMUD6's 2025 tax roll, as certified by the Appraisal District.

Taxpayer	Assessed Valuation 2025 Tax Roll
TOLL HOUSTON TX LLC	\$ 25,352,693
TOLL-GTIS PROPERTY OWNER LLC	17,454,177
PERRY HOMES LLC	7,617,926
CHESMAR HOMES LLC	7,045,050
WESTIN HOMES & PROPERTIES LP	6,197,458
NEWMARK HOMES HOUSTON LLC	5,674,732
HIGHLAND HOMES-HOUSTON LLC	4,788,600
J PATRICK HOMES LTD	4,538,103
SHEA HOMES HOUSTON LLC	4,208,642
SPIRIT REALTY LP	<u>3,950,000</u>
Total	\$ 86,827,381

Percent of Respective Tax Roll (Certified) (a)	8.32 %
--	--------

(a) Based on SMUD6's total taxable assessed valuation as of January 1, 2025.

## Historical Collections

The following represents the historical tax collections for SMUD6's 2020-2024 tax years.

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 09/30	Collections 07/31/2025
2020	\$ 33,230,953	\$ 1.050	\$ 348,925	99.70 %	2021	100.00 %
2021	78,857,841	1.050	828,007	99.62 %	2022	100.00 %
2022	278,352,366	1.050	2,922,700	99.56 %	2023	99.83 %
2023	570,430,725	1.050	5,989,523	99.08 %	2024	99.58 %
2024	789,057,782	1.050	8,285,107	98.83 % (b)	2025	98.83 % (b)

(a) Total tax rate per \$100 of assessed valuation for each respective tax year.

(b) In process of collections.

SMUD6 has authorized publication of a total tax rate of \$1.050 per \$100 of assessed valuation for the 2025 tax year.

## Tax Rate Distribution

The following represents the components of the tax rate for SMUD6's 2020-2024 tax years.

	2024	2023	2022	2021	2020
Utility System Debt Service	\$ 0.400	\$ 0.345	\$ 0.320	\$ 0.185	\$ 0.000
Road System Debt Service	0.305	0.300	0.360	0.425	0.600
Maintenance and Operations	0.020	0.050	0.040	0.050	0.100
Contract	<u>0.325</u>	<u>0.355</u>	<u>0.330</u>	<u>0.390</u>	<u>0.350</u>
Total	\$ 1.050	\$ 1.050	\$ 1.050	\$ 1.050	\$ 1.050

SMUD6 has authorized publication of a total tax rate of \$1.050 per \$100 of assessed valuation for the 2025 tax year.

# **SIENNA MUNICIPAL UTILITY DISTRICT NO. 7**

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Bonds (and Refunding) .....	\$	271,300,000
Voter Authorized Unlimited Tax Road Bonds.....	\$	156,900,000
Voter Authorized Unlimited Tax Park Bonds.....	\$	68,500,000
Total Principal Amount of Unlimited Tax Bonds Issued .....	\$	3,950,000 (a)
Debt Service Tax Limitation (per \$100 of Assessed Valuation) .....		Unlimited
Maintenance and Operations Tax Limitation (per \$100 of Assessed Valuation) .....		\$ 1.500
Maintenance and Operations Tax for Road Facilities Limitation (per \$100 of Assessed Valuation) .....		\$ 0.250
Contract Tax Limitation.....		Unlimited
Gross Outstanding Direct Debt.....	\$	3,950,000 (a)
2025 Gross Certified Assessed Valuation.....	\$	43,555,577
Estimated Gross Assessed Valuation as of July 15, 2025.....	\$	56,611,347
2025 Gross Certified Assessed Valuation as a Percentage of the:		
2025 Gross Certified Assessed Valuation of the Participants .....		1.89 %
Estimated Gross Assessed Valuation of the Participants as of July 15, 2025 .....		2.32 %
Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (\$5,976,167) (2026-2050):		
Pro Rata Share Based on the 2025 Gross Certified Assessed Valuation .....	\$	112,711
Pro Rata Share Based on the Estimated Gross Valuation as of July 15, 2025 .....	\$	138,668
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (\$6,953,613) (2041):		
Pro Rata Share Based on the 2025 Gross Certified Assessed Valuation .....	\$	131,145
Pro Rata Share Based on the Estimated Gross Valuation as of July 15, 2025 .....	\$	161,349
<b>Tax Rate Required to Pay Pro Rata Share of the Outstanding Bonds and the Bonds Based Upon the 2025 Certified Gross Assessed Valuation at 95% Collections:</b>		
Average Annual Debt Service Requirement.....	\$	0.28
Maximum Annual Debt Service Requirement.....	\$	0.32
<b>Tax Rate Required to Pay Pro Rata Share of the Outstanding Bonds and the Bonds Based Upon the Estimated Gross Assessed Valuation as of July 15, 2025, at 95% Collections:</b>		
Average Annual Debt Service Requirement.....	\$	0.26
Maximum Annual Debt Service Requirement.....	\$	0.30
<b><u>Status of Single-Family Development as of August 1, 2025:</u></b>		
Approximate Total Developed Acreage .....		105.6
Single-Family Homes.....		21 (b)
Total Developed Lots .....		151

- (a) SMUD7 plans to issue \$3,950,000 principal amount of unlimited tax bonds in October 2025. Such bonds are included in SMUD7's issued and outstanding debt amounts (as of August 1, 2025).
- (b) Occupied homes only.

## Principal Taxpayers

The following represents the principal taxpayers on SMUD7's 2025 tax roll, as certified by the Appraisal District.

Taxpayer	Assessed Valuation 2025 Tax Roll
TOLL-GTIS PROPERTY OWNER LLC	\$ 30,297,977
PERRY HOMES LLC	3,224,943
PARTNERS IN BUILDING LP	2,703,418
JAMESTOWN ESTATE HOMES LP	1,950,045
HOMEOWNER	915,366
HOMEOWNER	903,466
HOMEOWNER	803,883
HOMEOWNER	696,105
HOMEOWNER	566,905
HOMEOWNER	<u>376,995</u>
Total	\$ 42,439,103

Percent of Respective Tax Roll (Certified) (a) 98.54 %

(a) Based on SMUD7's total taxable assessed valuation as of January 1, 2025.

## Historical Collections

The following represents the historical tax collections for SMUD7's 2023-2024 tax years.

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 09/30	Collections 07/31/2025
2023	\$ 14,704,778	\$ 1.050	\$ 154,400	100.00 %	2024	100.00 %
2024	30,018,128	1.050	315,190	99.83 % (b)	2025	99.83 % (b)

(a) Total tax rate per \$100 of assessed valuation for each respective tax year.

(b) In process of collections.

SMUD7 has authorized publication of a total tax rate of \$1.050 per \$100 of assessed valuation for the 2025 tax year.

## Tax Rate Distribution

The following represents the components of the tax rate for SMUD7's 2023-2024 tax years.

	2024	2023
Maintenance and Operations	\$ 0.710	\$ 1.050
Contract	<u>0.340</u>	<u>0.000</u>
Total	\$ 1.050	\$ 1.050

SMUD7 has authorized publication of a total tax rate of \$1.050 per \$100 of assessed valuation for the 2025 tax year.

## **APPENDIX B**

### **FINANCIAL STATEMENTS OF THE PARTICIPANTS**

- **2024 Audit for Sienna Municipal Utility District No. 4**
- **2024 Audit for Sienna Municipal Utility District No. 5**
- **2024 Audit for Sienna Municipal Utility District No. 6**
- **2024 Audit for Sienna Municipal Utility District No. 7**

**SIENNA MUNICIPAL  
UTILITY DISTRICT NO. 4  
FORT BEND COUNTY, TEXAS  
FINANCIAL REPORT  
July 31, 2024**



## Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
<b>BASIC FINANCIAL STATEMENTS</b>		
Statement of Net Position and Governmental Funds Balance Sheet		18
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		19
Notes to Financial Statements		21
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Budgetary Comparison Schedule – General Fund		44
Notes to Required Supplementary Information		45
<b>TEXAS SUPPLEMENTARY INFORMATION</b>		
Services and Rates	TSI-1	48
General Fund Expenditures	TSI-2	50
Investments	TSI-3	51
Taxes Levied and Receivable	TSI-4	52
Long-Term Debt Service Requirements by Years	TSI-5	53
Change in Long-Term Bonded Debt	TSI-6	66
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	70
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	72
Board Members, Key Personnel and Consultants	TSI-8	74





# **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. 4  
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. 4 (the "District"), as of and for the year ended July 31, 2024, 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. 4, as of July 31, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **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.

### **Emphasis of Matter**

As discussed in Note 3 to the financial statements, the District implemented GASB Implementation Guide 2021-1, Question 5.1 during the current fiscal year. Our opinion is not modified with respect to this matter.

### **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.

***Board of Directors  
Sienna Municipal Utility District No. 4  
Fort Bend County, Texas***

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.

***Board of Directors  
Sienna Municipal Utility District No. 4  
Fort Bend County, Texas***

**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 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.

*McGuire & Co, P.C.*

Houston, Texas  
November 4, 2024

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

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***Sienna Municipal Utility District No. 4  
Management's Discussion and Analysis  
July 31, 2024***

**Using this Annual Report**

Within this section of the financial report of Sienna Municipal Utility District No. 4 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended July 31, 2024. 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. 4  
Management's Discussion and Analysis  
July 31, 2024***

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

**Fund Financial Statements**

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

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

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

The District's net position at July 31, 2024, was negative \$36,883,252. 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, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	\$ 16,117,633	\$ 12,892,157
Capital assets	47,368,417	47,170,260
Total assets	<u>63,486,050</u>	<u>60,062,417</u>
Current liabilities	4,584,188	4,229,902
Long-term liabilities	95,785,114	92,945,137
Total liabilities	<u>100,369,302</u>	<u>97,175,039</u>
Net position		
Net investment in capital assets	(13,574,952)	(11,551,829)
Restricted	6,186,075	5,300,109
Unrestricted	(29,494,375)	(30,860,902)
Total net position	<u>\$ (36,883,252)</u>	<u>\$ (37,112,622)</u>

During the current fiscal year, the District implemented GASB Implementation Guide ("GASBIG") 2021-1, Question 5.1, which requires the capitalization of a group of individual assets that are below the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. In accordance with this standard, the District recognized, as infrastructure capital assets, water meters that were previously expensed in prior fiscal years, net of related accumulated depreciation, as of the beginning of the current fiscal year. Prior year data has not been restated to include values for these



***Sienna Municipal Utility District No. 4  
Management's Discussion and Analysis  
July 31, 2024***

infrastructure assets and, as a result, the presentation of prior year data as it relates to these assets is not consistent with the current year presentation (see Notes 3 and 6).

The total net position of the District decreased during the current fiscal year by \$438,015. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2024	2023
Revenues		
Water and sewer service	\$ 2,124,215	\$ 2,024,314
Property taxes, penalties and interest	10,590,355	9,573,545
Other	2,409,951	1,882,621
Total revenues	<u>15,124,521</u>	<u>13,480,480</u>
Expenses		
Current service operations	2,720,432	2,294,848
Debt interest and fees	2,848,652	2,417,770
Debt issuance costs	789,671	1,469,599
Developer interest	832,145	1,746,525
Intergovernmental	5,341,373	4,546,893
Depreciation and amortization	1,644,071	1,484,172
Total expenses	<u>14,176,344</u>	<u>13,959,807</u>
Change in net position before other item	948,177	(479,327)
Other item		
Transfers to other governments	<u>(1,386,192)</u>	<u>(838,226)</u>
Change in net position	(438,015)	(1,317,553)
Net position, beginning of year	<u>(36,445,237)</u>	<u>(35,795,069)</u>
Net position, end of year	<u><u>\$ (36,883,252)</u></u>	<u><u>\$ (37,112,622)</u></u>

As previously noted, the District implemented GASBIG 2021-1, Question 5.1 during the current year and, as a result, has restated its beginning net position for the current fiscal year. Prior year data is not consistent with current year data due to the recognition of certain capital assets and the related accumulated depreciation at the beginning of the current fiscal year (See Notes 3 and 6).

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

The District's combined fund balances, as of July 31, 2024, were \$15,335,448, which consists of \$6,039,265 in the General Fund, \$7,282,651 in the Debt Service Fund, and \$2,013,532 in the Capital Projects Fund.

***Sienna Municipal Utility District No. 4  
Management's Discussion and Analysis  
July 31, 2024***

*General Fund*

A comparative summary of the General Fund's financial position as of July 31, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 6,696,260</u>	<u>\$ 5,829,469</u>
Total liabilities	\$ 647,422	\$ 763,844
Total deferred inflows	9,573	7,025
Total fund balance	<u>6,039,265</u>	<u>5,058,600</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 6,696,260</u>	<u>\$ 5,829,469</u>

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

	2024	2023
Total revenues	\$ 5,036,556	\$ 4,890,669
Total expenditures	<u>(4,055,891)</u>	<u>(3,693,661)</u>
Revenues over expenditures	<u>\$ 980,665</u>	<u>\$ 1,197,008</u>

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

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

***Sienna Municipal Utility District No. 4  
Management's Discussion and Analysis  
July 31, 2024***

*Debt Service Fund*

A comparative summary of the Debt Service Fund's financial position as of July 31, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 7,407,841</u>	<u>\$ 6,381,167</u>
Total liabilities	\$ 913	\$ 7,051
Total deferred inflows	124,277	60,708
Total fund balance	<u>7,282,651</u>	<u>6,313,408</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 7,407,841</u>	<u>\$ 6,381,167</u>

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

	2024	2023
Total revenues	\$ 9,923,510	\$ 8,586,919
Total expenditures	(8,954,267)	(6,898,517)
Revenues over expenditures	<u>\$ 969,243</u>	<u>\$ 1,688,402</u>

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

*Capital Projects Fund*

A comparative summary of the Capital Projects Fund's financial position as of July 31, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 2,013,532</u>	<u>\$ 681,521</u>
Total fund balance	<u>\$ 2,013,532</u>	<u>\$ 681,521</u>

***Sienna Municipal Utility District No. 4  
Management's Discussion and Analysis  
July 31, 2024***

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

	2024	2023
Total revenues	\$ 98,338	\$ 26,831
Total expenditures	(8,646,327)	(18,996,317)
Revenues under expenditures	(8,547,989)	(18,969,486)
Other changes in fund balance	9,880,000	19,275,000
Net change in fund balance	\$ 1,332,011	\$ 305,514

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2023 Unlimited Tax Bonds and Series 2023 Unlimited Tax Road Bonds in the current year and the sale of its Series 2022 Unlimited Tax Bonds and Series 2022 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 year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$315,470 greater than budgeted. The *Budgetary Comparison Schedule* on page 44 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. 4  
Management's Discussion and Analysis  
July 31, 2024***

Capital assets held by the District at July 31, 2024 and 2023, are summarized as follows:

	2024	2023
Capital assets not being depreciated		
Land and improvements	\$ 1,377,767	\$ 464,349
Capital assets being depreciated/amortized		
Infrastructure	42,864,591	41,360,900
Landscaping improvements	11,162,911	10,972,319
Master District connection charges	342,760	342,760
	<u>54,370,262</u>	<u>52,675,979</u>
Less accumulated depreciation/amortization		
Infrastructure	(7,132,415)	(5,290,538)
Landscaping improvements	(1,106,762)	(548,616)
Master District connection charges	(140,435)	(130,914)
	<u>(8,379,612)</u>	<u>(5,970,068)</u>
Subtotal depreciable capital assets, net	<u>45,990,650</u>	<u>46,705,911</u>
Capital assets, net	<u>\$ 47,368,417</u>	<u>\$ 47,170,260</u>

As previously noted, the District implemented GASBIG 2021-1, Question 5.1 during the current year. As a result, prior year data is not consistent with current year data due to the recognition of certain capital assets and the related accumulated depreciation at the beginning of the current fiscal year (See Notes 3 and 6).

Capital asset additions during the current year include water meters and land acquisitions for park improvements.

Additionally, Fort Bend County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended July 31, 2024, capital assets in the amount of \$1,386,192 have been recorded as transfers to other governments in the government-wide statements.

### **Long-Term Debt and Related Liabilities**

As of July 31, 2024, the District owes approximately \$11,858,314 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of \$2,899,939 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

***Sienna Municipal Utility District No. 4  
Management's Discussion and Analysis  
July 31, 2024***

other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At July 31, 2024 and 2023, the District had total bonded debt outstanding as shown below:

Series	2024	2023
2016	\$ 7,470,000	\$ 7,755,000
2016A Road	7,760,000	8,060,000
2017	8,485,000	8,780,000
2018	7,400,000	7,635,000
2019 Road	6,665,000	6,880,000
2020	13,685,000	14,135,000
2021	3,090,000	3,190,000
2021 Road	3,740,000	3,860,000
2022	1,330,000	1,355,000
2022 Road	17,560,000	17,920,000
2023	3,825,000	
2023 Road	6,055,000	
	<u>\$ 87,065,000</u>	<u>\$ 79,570,000</u>

During the current year, the District issued \$3,825,000 in unlimited tax bonds and \$6,055,000 in unlimited tax road bonds. At July 31, 2024, the District had \$214,895,000 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; \$68,200,000 for parks and recreational facilities and the refunding of such bonds; \$121,565,000 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 year actual amounts for the General Fund is as follows:

	2024 Actual	2025 Budget
Total revenues	\$ 5,036,556	\$ 4,748,653
Total expenditures	(4,055,891)	(4,232,358)
Revenues over expenditures	980,665	516,295
Beginning fund balance	5,058,600	6,039,265
Ending fund balance	<u>\$ 6,039,265</u>	<u>\$ 6,555,560</u>

### **Property Taxes**

The District's property tax base increased approximately \$80,202,000 for the 2024 tax year from \$1,073,055,788 to \$1,153,257,582. This increase was primarily due to increased property values. For

***Sienna Municipal Utility District No. 4  
Management's Discussion and Analysis  
July 31, 2024***

the 2024 tax year, the District has levied a maintenance tax rate of \$0.05 per \$100 of assessed value, a water, sewer, and drainage debt service tax rate of \$0.325 per \$100 of assessed value, a road debt service tax rate of \$0.24 per \$100 of assessed value, and a contract tax rate of \$0.32 per \$100 of assessed value for a total combined tax rate of \$0.935 per \$100 of assessed value. Tax rates for the 2023 tax year were \$0.08 per \$100 for maintenance and operations, \$0.28 per \$100 for water, sewer, and drainage debt service, \$0.265 per \$100 for road debt service, and \$0.355 per \$100 for contract tax for a combined total of \$0.98 per \$100 of assessed value.

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## **Basic Financial Statements**

**Sienna Municipal Utility District No. 4**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**July 31, 2024**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 637,167	\$ 106,104	\$ 899	\$ 744,170	\$ -	\$ 744,170
Investments	5,338,433	7,181,381	2,141,094	14,660,908		14,660,908
Taxes receivable	9,573	124,277		133,850		133,850
Customer service receivables	348,210			348,210		348,210
Internal balances	132,382	(3,921)	(128,461)			
Other receivables	7,945			7,945		7,945
Operating reserve	216,036			216,036		216,036
Prepaid items	6,514			6,514		6,514
Capital assets not being depreciated					1,377,767	1,377,767
Capital assets, net					45,990,650	45,990,650
Total Assets	<u>\$ 6,696,260</u>	<u>\$ 7,407,841</u>	<u>\$ 2,013,532</u>	<u>\$ 16,117,633</u>	<u>47,368,417</u>	<u>63,486,050</u>
<b>Liabilities</b>						
Accounts payable	\$ 622,519	\$ -	\$ -	\$ 622,519		622,519
Other payables	5,743	913		6,656		6,656
Customer deposits	19,160			19,160		19,160
Accrued interest payable					1,220,853	1,220,853
Due to developer					11,858,314	11,858,314
Long-term debt						
Due within one year					2,715,000	2,715,000
Due after one year					83,926,800	83,926,800
Total Liabilities	<u>647,422</u>	<u>913</u>	<u></u>	<u>648,335</u>	<u>99,720,967</u>	<u>100,369,302</u>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	<u>9,573</u>	<u>124,277</u>	<u></u>	<u>133,850</u>	<u>(133,850)</u>	
<b>Fund Balances/Net Position</b>						
<b>Fund Balances</b>						
Nonspendable	222,550			222,550	(222,550)	
Restricted		7,282,651	2,013,532	9,296,183	(9,296,183)	
Unassigned	5,816,715			5,816,715	(5,816,715)	
Total Fund Balances	<u>6,039,265</u>	<u>7,282,651</u>	<u>2,013,532</u>	<u>15,335,448</u>	<u>(15,335,448)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,696,260</u>	<u>\$ 7,407,841</u>	<u>\$ 2,013,532</u>	<u>\$ 16,117,633</u>		
<b>Net Position</b>						
Net investment in capital assets					(13,574,952)	(13,574,952)
Restricted for debt service					6,186,075	6,186,075
Unrestricted					(29,494,375)	(29,494,375)
Total Net Position					<u>\$ (36,883,252)</u>	<u>\$ (36,883,252)</u>
See notes to basic financial statements.						

**Sienna Municipal Utility District No. 4**

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

**For the Year Ended July 31, 2024**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Water service	\$ 925,146	\$ -	\$ -	\$ 925,146	\$ -	\$ 925,146
Sewer service	1,199,069			1,199,069		1,199,069
Property taxes	852,165	9,578,266		10,430,431	55,196	10,485,627
Penalties and interest	41,430	52,377		93,807	10,921	104,728
Tap connection and inspection	227,523			227,523		227,523
Surface water fees	927,058			927,058		927,058
Fire protection fees	598,786			598,786		598,786
Miscellaneous	6,597	11,007		17,604		17,604
Investment earnings	258,782	281,860	98,338	638,980		638,980
<b>Total Revenues</b>	<b>5,036,556</b>	<b>9,923,510</b>	<b>98,338</b>	<b>15,058,404</b>	<b>66,117</b>	<b>15,124,521</b>
<b>Expenditures/Expenses</b>						
Current service operations						
Professional fees	165,393	5,872	186,171	357,436		357,436
Contracted services	722,895	117,184		840,079		840,079
Repairs and maintenance	345,437			345,437		345,437
Utilities	105,204			105,204		105,204
Surface water	954,688			954,688		954,688
Administrative	73,721	10,632		84,353		84,353
Other	33,175		60	33,235		33,235
Capital outlay	70,833		6,838,280	6,909,113	(6,909,113)	
Debt service						
Principal		2,385,000		2,385,000	(2,385,000)	
Interest and fees		2,678,751		2,678,751	169,901	2,848,652
Debt issuance costs			789,671	789,671		789,671
Developer interest			832,145	832,145		832,145
Intergovernmental						
Master District connection charges	903,538			903,538		903,538
Facilities renewal and replacement	85,715			85,715		85,715
Fire protection services	595,292			595,292		595,292
Contractual obligations		3,756,828		3,756,828		3,756,828
Depreciation and amortization					1,644,071	1,644,071
<b>Total Expenditures/Expenses</b>	<b>4,055,891</b>	<b>8,954,267</b>	<b>8,646,327</b>	<b>21,656,485</b>	<b>(7,480,141)</b>	<b>14,176,344</b>
<b>Revenues Over/(Under)</b>						
<b>Expenditures/Expenses</b>	980,665	969,243	(8,547,989)	(6,598,081)	7,546,258	948,177
<b>Other Financing Sources</b>						
Proceeds from sale of bonds			9,880,000	9,880,000	(9,880,000)	
<b>Other Item</b>						
Transfers to other governments					(1,386,192)	(1,386,192)
<b>Net Change in Fund Balances</b>	980,665	969,243	1,332,011	3,281,919	(3,281,919)	
<b>Change in Net Position</b>					(438,015)	(438,015)
Fund Balance/Net Position						
Beginning of the year	5,058,600	6,313,408	681,521	12,053,529	(48,498,766)	(36,445,237)
<b>End of the year</b>	<b>\$ 6,039,265</b>	<b>\$ 7,282,651</b>	<b>\$ 2,013,532</b>	<b>\$ 15,335,448</b>	<b>\$ (52,218,700)</b>	<b>\$ (36,883,252)</b>

See notes to basic financial statements.

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

The accounting policies of Sienna Municipal Utility District No. 4 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

### **Creation**

The District was organized, created and established as Sienna Plantation Municipal Utility District No. 4 pursuant to an order of the Texas Natural Resource Conservation Commission, statutory predecessor to the Texas Commission on Environmental Quality, dated March 10, 1997, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on October 31, 2000 and the first bonds were issued on October 27, 2016. In 2009, the Texas Legislature adopted Chapter 8320 Special District Local Laws Code, to give the District the powers and duties essential to acquire, construct, and maintain roads and road improvements. On October 7, 2020, the District obtained approval from the TCEQ to change the District’s name to Sienna Municipal Utility District No. 4.

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

### **Reporting Entity**

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

### **Government-Wide and Fund Financial Statements**

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

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

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

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

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

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes, water, sewer and fire protection service fees and tap connection fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer, drainage and road facilities.

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

**Measurement Focus and Basis of Accounting**

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

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

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

**Measurement Focus and Basis of Accounting (continued)**

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

**Use of Restricted Resources**

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

**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, 2024, an allowance for uncollectible accounts was not considered necessary.

**Interfund Activity**

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

**Capital Assets**

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets are not capitalized. 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.

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

**Capital Assets (continued)**

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

Assets	Useful Life
Infrastructure	45 years
Landscaping improvements	20 years
Master District connection charges	40 years [max]

**Deferred Inflows and Outflows of Financial Resources**

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

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

**Net Position – Governmental Activities**

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

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

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

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

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



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

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

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the 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. 4***  
***Notes to Financial Statements***  
***July 31, 2024***

**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	\$ 15,335,448
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 55,748,029	
Less accumulated depreciation/amortization	<u>(8,379,612)</u>	
Change due to capital assets		47,368,417

Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .	(11,858,314)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Bonds payable, net	(86,641,800)	
Interest payable on bonds	<u>(1,220,853)</u>	
Change due to long-term debt		(87,862,653)

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.

133,850

Total net position - governmental activities	<u><u>\$ (36,883,252)</u></u>
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***Sienna Municipal Utility District No. 4***  
***Notes to Financial Statements***  
***July 31, 2024***

**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	\$ 3,281,919
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Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest.

	66,117
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Governmental funds report capital outlays for developer reimbursements as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 6,909,113	
Depreciation/amortization expense	<u>(1,644,071)</u>	
		5,265,042

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	(9,880,000)	
Principal payments	2,385,000	
Interest expense accrual	<u>(169,901)</u>	
		(7,664,901)

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

	(1,386,192)
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Change in net position of governmental activities	<u><u>\$ (438,015)</u></u>
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**Note 3 – Implementation of New Accounting Guidance**

During the current fiscal year, the District implemented GASB Implementation Guide (“GASBIG”) 2021-1, Question 5.1, which requires the capitalization of the acquisition of a group of individual capital assets whose individual acquisition costs are less than the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. Under this new guidance, the District’s acquisition of water meters that exceeds the capitalization threshold in the aggregate should be recorded as Capital outlays instead of Contracted services in the *Statement of Revenues, Expenditures and Changes in Fund Balances*. On the government wide statements, the acquisition of water meters should not be recorded as an expense on the *Statement of Activities* but should be recorded as capital assets on the *Statement of Net Position*.

GASBIG 2021-1, Question 5.1 is required to be retroactively implemented, which means the District is required to record the acquisition of water meters that were expensed in previous fiscal years as infrastructure capital assets and to record the related accumulated depreciation at the beginning of the current fiscal year. Accordingly, the District has recorded a prior period adjustment to recognize \$667,385 in depreciable capital assets, which were measured at net book value (i.e., cost less accumulated depreciation) as of the beginning of the current fiscal year and increased its beginning net position by the same amount. Prior year amounts in the Management’s Discussion and Analysis and supplementary schedules were not restated.

The effect of the implementation of the new accounting guidance on the District’s beginning net position is as follows:

Beginning Net Position, as reported	\$ (37,112,622)
Change due to implementation of new accounting guidance	<u>667,385</u>
Beginning Net Position, restated	<u><u>\$ (36,445,237)</u></u>

**Note 4 – Deposits and Investments**

**Deposit Custodial Credit Risk**

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

***Sienna Municipal Utility District No. 4***  
***Notes to Financial Statements***  
***July 31, 2024***

**Note 4 – Deposits and Investments (continued)**

**Investments**

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

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

As of July 31, 2024, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	<u>\$ 200,000</u>	1%	N/A	N/A
TexPool	General	5,138,433			
	Debt Service	7,181,381			
	Capital Projects	<u>2,141,094</u>			
		<u>14,460,908</u>	<u>99%</u>	AAAm	35 days
Total		<u><u>\$ 14,660,908</u></u>	<u><u>100%</u></u>		

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

***Sienna Municipal Utility District No. 4***  
***Notes to Financial Statements***  
***July 31, 2024***

**Note 4 – Deposits and Investments (continued)**

**TexPool**

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

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

**Investment Credit and Interest Rate Risk**

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

**Note 5 – Interfund Balances and Transactions**

Amounts due to/from other funds at July 31, 2024, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 3,921	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	128,461	Bond application fees paid by the General Fund

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

***Sienna Municipal Utility District No. 4***  
***Notes to Financial Statements***  
***July 31, 2024***

**Note 6 – Capital Assets**

A summary of changes in capital assets, for the year ended July 31, 2024, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 464,349	\$ 913,418	\$ 1,377,767
Capital assets being depreciated/amortized			
Infrastructure	42,793,758	70,833	42,864,591
Landscaping improvements	10,972,319	190,592	11,162,911
Master District connection charges	342,760		342,760
	<u>54,108,837</u>	<u>261,425</u>	<u>54,370,262</u>
Less accumulated depreciation/amortization			
Infrastructure	(6,056,011)	(1,076,404)	(7,132,415)
Landscaping improvements	(548,616)	(558,146)	(1,106,762)
Master District connection charges	(130,914)	(9,521)	(140,435)
	<u>(6,735,541)</u>	<u>(1,644,071)</u>	<u>(8,379,612)</u>
Subtotal depreciable capital assets, net	<u>47,373,296</u>	<u>(1,382,646)</u>	<u>45,990,650</u>
Capital assets, net	<u>\$ 47,837,645</u>	<u>\$ (469,228)</u>	<u>\$ 47,368,417</u>

Depreciation/amortization expense for the current fiscal year was \$1,644,071.

As discussed in Note 3, the District recorded a prior period adjustment to capitalize the acquisition of certain capital assets and accumulated depreciation at the beginning of the current fiscal year. In previous years, these costs were expensed. As a result, beginning balances for infrastructure capital assets in the current fiscal year are not consistent with prior year data.

**Note 7 – Due to Developers**

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, 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. 4***  
***Notes to Financial Statements***  
***July 31, 2024***

**Note 7 – Due to Developers (continued)**

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

Due to developer, beginning of year	\$ 16,206,392
Developer funded construction and adjustments	2,490,202
Developer reimbursements	<u>(6,838,280)</u>
Due to developer, end of year	<u><u>\$ 11,858,314</u></u>

In addition, the District will owe the developers approximately \$2,899,939, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Percentage Completed
Roadway Repairs Sienna Village of Destrehan Section 1 - Internal	\$ 2,506,260	90%
Left Turn Lane and Access Road*	<u>393,679</u>	58%
	<u><u>\$ 2,899,939</u></u>	

\*District's portion only

**Note 8 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 87,065,000
Unamortized discounts	(590,233)
Unamortized premium	<u>167,033</u>
	<u><u>\$ 86,641,800</u></u>
 Due within one year	 <u><u>\$ 2,715,000</u></u>



***Sienna Municipal Utility District No. 4***  
***Notes to Financial Statements***  
***July 31, 2024***

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

The District's bonds payable at July 31, 2024, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2016	\$ 7,470,000	\$ 8,800,000	2.00% - 3.60%	September 1, 2019 - 2041	September 1, March 1	September 1, 2024
2016A Road	7,760,000	9,400,000	1.75% - 3.60%	September 1, 2018 - 2041	September 1, March 1	September 1, 2024
2017	8,485,000	10,135,000	2.50% - 3.375%	September 1, 2018 - 2042	September 1, March 1	September 1, 2025
2018	7,400,000	8,530,000	3.25% - 5.00%	September 1, 2019 - 2043	September 1, March 1	September 1, 2023
2019 Road	6,665,000	7,500,000	2.00% - 2.75%	September 1, 2020 - 2043	September 1, March 1	September 1, 2024
2020	13,685,000	14,570,000	2.00% - 3.00%	September 1, 2022 - 2045	September 1, March 1	September 1, 2025
2021	3,090,000	3,190,000	2.00% - 2.375%	September 1, 2023 - 2046	September 1, March 1	September 1, 2026
2021 Road	3,740,000	3,860,000	2.00% - 2.375%	September 1, 2023 - 2046	September 1, March 1	September 1, 2026
2022	1,330,000	1,355,000	4.00% - 5.00%	September 1, 2023 - 2047	September 1, March 1	September 1, 2028
2022 Road	17,560,000	17,920,000	3.00% - 5.50%	September 1, 2023 - 2047	September 1, March 1	September 1, 2028
2023	3,825,000	3,825,000	4.00% - 6.00%	September 1, 2024 - 2048	September 1, March 1	September 1, 2029
2023 Road	6,055,000	6,055,000	4.00% - 4.50%	September 1, 2024 - 2048	September 1, March 1	September 1, 2029
	<u>\$ 87,065,000</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, 2024, the District had authorized but unissued bonds in the amount of \$214,895,000 for water, sewer and drainage facilities and the refunding of such bonds; \$68,200,000 for park and recreational facilities and the refunding of such bonds; and \$121,565,000 for road improvements and the refunding of such bonds.

*Sienna Municipal Utility District No. 4*  
*Notes to Financial Statements*  
*July 31, 2024*

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

On October 10, 2023, the District issued its \$3,825,000 Series 2023 Unlimited Tax Bonds at a net effective interest rate of 4.499612%. Proceeds of the bonds were used to reimburse the District's developer for infrastructure improvements in the District plus interest expense at the net effective interest rate of the bonds.

Additionally, on October 10, 2023, the District issued its \$6,055,000 Series 2023 Unlimited Tax Road Bonds at a net effective interest rate of 4.488652%. Proceeds of the bonds were used to reimburse a developer for the construction of right of way landscaping improvements plus interest expense at the net effective interest rate of the bonds.

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

Bonds payable, beginning of year	\$ 79,570,000
Bonds issued	9,880,000
Bonds retired	<u>(2,385,000)</u>
Bonds payable, end of year	<u><u>\$ 87,065,000</u></u>

***Sienna Municipal Utility District No. 4***  
***Notes to Financial Statements***  
***July 31, 2024***

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

As of July 31, 2024, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2025	\$ 2,715,000	\$ 2,844,136	\$ 5,559,136
2026	2,850,000	2,748,884	5,598,884
2027	2,940,000	2,654,863	5,594,863
2028	3,050,000	2,560,051	5,610,051
2029	3,180,000	2,460,195	5,640,195
2030	3,295,000	2,355,606	5,650,606
2031	3,415,000	2,247,580	5,662,580
2032	3,545,000	2,136,145	5,681,145
2033	3,685,000	2,024,084	5,709,084
2034	3,825,000	1,909,972	5,734,972
2035	3,965,000	1,788,911	5,753,911
2036	4,115,000	1,661,096	5,776,096
2037	4,280,000	1,526,636	5,806,636
2038	4,435,000	1,385,603	5,820,603
2039	4,610,000	1,237,682	5,847,682
2040	4,785,000	1,081,504	5,866,504
2041	4,965,000	915,577	5,880,577
2042	5,155,000	740,728	5,895,728
2043	4,175,000	579,580	4,754,580
2044	3,690,000	444,223	4,134,223
2045	2,790,000	332,165	3,122,165
2046	2,900,000	233,172	3,133,172
2047	2,175,000	139,376	2,314,376
2048	1,870,000	62,794	1,932,794
2049	655,000	14,738	669,738
	<u>\$ 87,065,000</u>	<u>\$ 36,085,301</u>	<u>\$ 123,150,301</u>

**Note 9 – Property Taxes**

On December 14, 2009, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

***Sienna Municipal Utility District No. 4***  
***Notes to Financial Statements***  
***July 31, 2024***

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$0.98 per \$100 of assessed value, of which \$0.08 was allocated to maintenance and operations, \$0.28 was allocated to water, sewer, and drainage debt service, \$0.265 was allocated to road debt service, and \$0.355 was allocated to contract tax. The resulting tax levy was \$10,515,947 on the adjusted taxable value of \$1,073,055,788.

Property taxes receivable, at July 31, 2024, consisted of the following:

Current year taxes receivable	\$ 102,846
Prior years taxes receivable	9,609
	<hr/> 112,455
Penalty and interest receivable	21,395
Property taxes receivable	<hr/> <u>\$ 133,850</u>

**Note 10 – 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 and are recorded as transfers to other governments on the *Statement of Activities* upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended July 31, 2024, the District recorded transfers to other governments in the amount of \$1,386,192 for road facilities constructed by a developer within the District.

**Note 11 – Contracts with Sienna Regional Municipal Utility 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 Utility District (“Sienna RM”) in 2006 (the “Sienna RM Regional Contract”). The Sienna RM Regional Contract includes other participation districts that are not part of the Master District service area. Pursuant to this contract, Sienna RM had the authority to construct, acquire and finance 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 revenues bonds: Sienna RM may only issue contract revenue bonds for acquisition, construction or improvement of (1) surface water facilities; (2) 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.

**Note 11 – Contracts with Sienna Regional Municipal Utility District (continued)**

In 2009, the Master District (on behalf of the participants) entered into a utility contract with Sienna RM for the purposes of amending and supplementing the Sienna RM Regional Contract (the “Utility Contract”). Pursuant to the terms of the Utility Contract, the parties agreed that the Master District will construct and finance the regional water, sewer and drainage facilities that serve the service area. Once completed, 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 the monthly operating and maintenance expenses and will charge the participating districts for their pro-rata share of the monthly operating and maintenance expenses.

The Master District currently has purchased capacity in the water 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 purpose of acquiring and constructing 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 pro rata 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 was funded by the Master District’s allocated share of bond proceeds of \$12,695,000.

***Sienna Municipal Utility District No. 4***  
***Notes to Financial Statements***  
***July 31, 2024***

**Note 11 – Contracts with Sienna Regional Municipal Utility District (continued)**

*Sienna RM Debt (continued)*

As of July 31, 2024, Sienna RM has \$23,185,000 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 year, the Master District paid \$445,474 to Sienna RM for Sienna RM's 2024 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:

Year	Total
2025	\$ 681,295
2026	679,415
2027	677,085
2028	679,418
2029	681,270
2030-2034	3,393,697
2035-2039	3,393,980
2040-2044	3,393,976
2045-2048	2,715,475
	<u>\$ 16,295,611</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 were 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. 5, 6 and 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. 4***  
***Notes to Financial Statements***  
***July 31, 2024***

**Note 11 – Contracts with Sienna Regional Municipal Utility 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, 2024, the monthly charge is \$21.50 per connection.

**Note 12 – Master District Contract with Sienna Municipal Utility District No. 5**

On May 13, 2013, the District, along with Sienna Municipal Utility District No. 6, 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 fiscal year, the Master District issued \$18,180,000 in Contract Revenue Bonds. As of July 31, 2023, the Master District has \$76,685,000 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, 2024, 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. 4***  
***Notes to Financial Statements***  
***July 31, 2024***

**Note 12 – 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, 2024, the District has paid \$216,036 to the Master District for its share of the operating and maintenance reserve.

*Summary of Charges*

For fiscal year ended July 31, 2024, the District incurred the following costs pursuant to contracts with the Master District and Sienna RM:

- Monthly connection fees in the amount of \$903,538;
- Monthly charges in the amount of \$85,715 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 \$595,292; and
- Contractual obligations for debt service requirements in the amount of \$3,756,828, which consists of \$3,311,354 for Master District Bonds and \$445,474 for the Master District's share of Sienna RM's contract revenue bonds.

**Note 13 – Agreements with City of Missouri City**

The developer in Sienna South (land included in Sienna Nos. 4, 5, 6 and 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.



**Note 13 – 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 all 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 14 – Risk Management**

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

**Note 15 – Subsequent Event**

On October 8, 2024, the District issued its \$11,885,000 Series 2024 Unlimited Tax Park Bonds at a net effective rate of 4.083043%. Proceeds from the bonds were used to reimburse a developer for landscaping improvements and land acquisitions in the District plus interest expense at the net effective interest rate of the bonds.

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## **Required Supplementary Information**

**Sienna Municipal Utility District No. 4****Required Supplementary Information - Budgetary Comparison Schedule - General Fund****For the Year Ended July 31, 2024**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Water service	\$ 857,000	\$ 925,146	\$ 68,146
Sewer service	1,175,000	1,199,069	24,069
Property taxes	871,456	852,165	(19,291)
Penalties and interest	55,000	41,430	(13,570)
Tap connection and inspection	74,000	227,523	153,523
Surface water fees	870,013	927,058	57,045
Fire protection fees	604,279	598,786	(5,493)
Miscellaneous	10,150	6,597	(3,553)
Investment earnings	209,169	258,782	49,613
Total Revenues	4,726,067	5,036,556	310,489
<b>Expenditures</b>			
Current service operations			
Professional fees	202,000	165,393	36,607
Contracted services	737,241	722,895	14,346
Repairs and maintenance	393,200	345,437	47,763
Utilities	85,000	105,204	(20,204)
Surface water	870,013	954,688	(84,675)
Administrative	82,200	73,721	8,479
Other	36,500	33,175	3,325
Capital outlay	88,000	70,833	17,167
Intergovernmental			
Master District connection charges	875,784	903,538	(27,754)
Facilities renewal and replacement	86,655	85,715	940
Fire protection services	604,279	595,292	8,987
Total Expenditures	4,060,872	4,055,891	4,981
<b>Revenues Over Expenditures</b>	665,195	980,665	315,470
<b>Fund Balance</b>			
Beginning of the year	5,058,600	5,058,600	
<b>End of the year</b>	\$ 5,723,795	\$ 6,039,265	\$ 315,470

*Sienna Municipal Utility District No. 4*  
*Notes to Required Supplementary Information*  
*July 31, 2024*

**Budgets and Budgetary Accounting**

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

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## **Texas Supplementary Information**

**Sienna Municipal Utility District No. 4**

**TSI-1. Services and Rates**

**July 31, 2024**

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

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y/N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels	
Water:	\$ 24.60	10,000	N	\$ 2.25	10,000	to 20,000
				\$ 2.75	20,001	to no limit
Wastewater:	\$ 45.94		Y			to
Surface water	\$ 2.84	1,000	N	\$ 2.84	1,001	to no limit

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

Total charges per 10,000 gallons usage: Water \$ 53.00 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"	1,070	1,065	x 1.0	1,065
1"	1,128	1,123	x 2.5	2,808
1.5"			x 5.0	
2"	38	38	x 8.0	304
3"	2	2	x 15.0	30
4"	2	2	x 25.0	50
6"	1	1	x 50.0	50
8"			x 80.0	
10"			x 115.0	
Total Water	2,241	2,231		4,307
Total Wastewater	2,151	2,141	x 1.0	2,141

See accompanying auditor's report.



***Sienna Municipal Utility District No. 4***  
***TSI-1. Services and Rates***  
***July 31, 2024***

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

*Gallons purchased:	<u>318,609,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>318,609,000</u>	(Gallons billed / Gallons purchased)
		<u>100%</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? \_\_\_\_\_

\*Purchased from Sienna Regional Municipal Utility District.  
See accompanying auditor's report.

***Sienna Municipal Utility District No. 4***  
***TSI-2. General Fund Expenditures***  
***For the Year Ended July 31, 2024***

Professional fees	
Legal	\$ 91,326
Audit	16,000
Engineering	58,067
	<u>165,393</u>
Contracted services	
Bookkeeping	71,039
Operator	78,942
Garbage collection	553,635
Tap connection and inspection	19,279
	<u>722,895</u>
Repairs and maintenance	<u>345,437</u>
Utilities	<u>105,204</u>
Surface water	<u>954,688</u>
Administrative	
Directors fees	12,376
Printing and office supplies	36,587
Insurance	6,036
Other	18,722
	<u>73,721</u>
Other	<u>33,175</u>
Capital outlay	<u>70,833</u>
Intergovernmental	
Monthly connection charges	903,538
Master District replacement fund	85,715
Fire protection services	595,292
	<u>1,584,545</u>
Total expenditures	<u>\$ 4,055,891</u>

See accompanying auditor's report.

***Sienna Municipal Utility District No. 4***

***TSI-3. Investments***

***July 31, 2024***

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
TexPool	Variable	N/A	\$ 5,138,433	\$ -
Certificates of deposit	5.50%	10/12/24	100,000	4,400
Certificates of deposit	5.65%	12/15/24	100,000	3,545
			<u>5,338,433</u>	<u>7,945</u>
Debt Service				
TexPool	Variable	N/A	3,843,028	
TexPool	Variable	N/A	3,232,506	
TexPool	Variable	N/A	105,847	
			<u>7,181,381</u>	
Capital Projects				
TexPool	Variable	N/A	211,785	
TexPool	Variable	N/A	95,148	
TexPool	Variable	N/A	153,261	
TexPool	Variable	N/A	281,813	
TexPool	Variable	N/A	18,435	
TexPool	Variable	N/A	1,280,690	
TexPool	Variable	N/A	99,962	
			<u>2,141,094</u>	
Total - All Funds			<u>\$ 14,660,908</u>	<u>\$ 7,945</u>

See accompanying auditor's report.

**Sienna Municipal Utility District No. 4**  
**TSI-4. Taxes Levied and Receivable**  
**July 31, 2024**

	Maintenance Taxes	W-S-D Debt Service Taxes	Road Debt Service Taxes	Contract Taxes	Totals
Beginning Taxes Receivable	\$ 7,025	\$ 17,466	\$ 14,453	\$ 18,315	\$ 57,259
Adjustments	(3,732)	(9,335)	(7,460)	(9,793)	(30,320)
Adjusted Receivable	3,293	8,131	6,993	8,522	26,939
2023 Original Tax Levy	839,291	2,937,518	2,780,150	3,724,353	10,281,312
Adjustments	19,154	67,039	63,447	84,995	234,635
Adjusted Tax Levy	858,445	3,004,557	2,843,597	3,809,348	10,515,947
Total to be accounted for	861,738	3,012,688	2,850,590	3,817,870	10,542,886
Tax collections:					
Current year	850,049	2,975,172	2,815,787	3,772,093	10,413,101
Prior years	2,116	5,211	4,543	5,460	17,330
Total Collections	852,165	2,980,383	2,820,330	3,777,553	10,430,431
Taxes Receivable, End of Year	\$ 9,573	\$ 32,305	\$ 30,260	\$ 40,317	\$ 112,455
Taxes Receivable, By Years					
2023	\$ 8,396	\$ 29,385	\$ 27,810	\$ 37,255	\$ 102,846
2022	1,177	2,920	2,450	3,062	9,609
Taxes Receivable, End of Year	\$ 9,573	\$ 32,305	\$ 30,260	\$ 40,317	\$ 112,455
		2023	2022	2021	2020
Property Valuations:					
Land		\$ 180,038,989	\$ 172,333,480	\$ 162,341,386	\$ 150,938,176
Improvements		1,114,012,143	961,951,483	631,207,694	493,399,311
Personal Property		3,238,639	2,523,600	2,353,360	2,198,450
Exemptions		(224,233,983)	(209,354,577)	(86,361,123)	(83,591,224)
Total Property Valuations		\$ 1,073,055,788	\$ 927,453,986	\$ 709,541,317	\$ 562,944,713
Tax Rates per \$100 Valuation:					
Maintenance tax rates		\$ 0.080	\$ 0.125	\$ 0.135	\$ 0.135
W-S-D debt service tax rates		0.280	0.310	0.365	0.410
Road debt service tax rates		0.265	0.260	0.165	0.165
Contract tax rate		0.355	0.325	0.385	0.340
Total Tax Rates per \$100 Valuation		\$ 0.980	\$ 1.020	\$ 1.050	\$ 1.050
Adjusted Tax Levy:		\$ 10,515,947	\$ 9,460,031	\$ 7,450,184	\$ 5,910,919
Percentage of Taxes Collected to Taxes Levied **		99.02%	99.90%	100.00%	100.00%

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

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

See accompanying auditor's report.

*Sienna Municipal Utility District No. 4*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2016--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 300,000	\$ 239,132	\$ 539,132
2026	310,000	231,353	541,353
2027	320,000	223,002	543,002
2028	335,000	213,992	548,992
2029	345,000	204,300	549,300
2030	360,000	193,898	553,898
2031	370,000	182,762	552,762
2032	385,000	170,868	555,868
2033	400,000	158,108	558,108
2034	415,000	144,556	559,556
2035	430,000	130,403	560,403
2036	445,000	115,635	560,635
2037	465,000	100,165	565,165
2038	480,000	83,860	563,860
2039	500,000	66,710	566,710
2040	520,000	48,600	568,600
2041	535,000	29,610	564,610
2042	555,000	9,990	564,990
	<u>\$ 7,470,000</u>	<u>\$ 2,546,944</u>	<u>\$ 10,016,944</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 4*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2016A Road--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 310,000	\$ 248,965	\$ 558,965
2026	320,000	240,930	560,930
2027	335,000	232,247	567,247
2028	345,000	222,895	567,895
2029	360,000	212,845	572,845
2030	370,000	202,075	572,075
2031	385,000	190,558	575,558
2032	400,000	178,190	578,190
2033	415,000	164,943	579,943
2034	430,000	150,893	580,893
2035	445,000	136,236	581,236
2036	465,000	120,760	585,760
2037	480,000	104,460	584,460
2038	500,000	87,430	587,430
2039	520,000	69,580	589,580
2040	540,000	50,760	590,760
2041	560,000	30,960	590,960
2042	580,000	10,440	590,440
	<u>\$ 7,760,000</u>	<u>\$ 2,655,167</u>	<u>\$ 10,415,167</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 4*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2017--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 305,000	\$ 265,363	\$ 570,363
2026	320,000	253,700	573,700
2027	330,000	245,188	575,188
2028	345,000	237,163	582,163
2029	360,000	227,900	587,900
2030	375,000	217,794	592,794
2031	390,000	206,788	596,788
2032	405,000	194,863	599,863
2033	420,000	182,488	602,488
2034	435,000	169,391	604,391
2035	455,000	155,484	610,484
2036	470,000	140,738	610,738
2037	490,000	125,138	615,138
2038	510,000	108,569	618,569
2039	530,000	91,019	621,019
2040	550,000	72,450	622,450
2041	575,000	52,763	627,763
2042	600,000	32,200	632,200
2043	620,000	10,850	630,850
	<u>\$ 8,485,000</u>	<u>\$ 2,989,849</u>	<u>\$ 11,474,849</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 4*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2018--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 245,000	\$ 271,619	\$ 516,619
2026	255,000	261,619	516,619
2027	265,000	251,219	516,219
2028	275,000	240,419	515,419
2029	290,000	230,206	520,206
2030	300,000	220,619	520,619
2031	315,000	210,428	525,428
2032	325,000	199,425	524,425
2033	340,000	187,788	527,788
2034	355,000	175,625	530,625
2035	365,000	163,025	528,025
2036	385,000	149,900	534,900
2037	400,000	135,663	535,663
2038	415,000	120,381	535,381
2039	430,000	104,538	534,538
2040	450,000	88,038	538,038
2041	470,000	70,200	540,200
2042	485,000	51,100	536,100
2043	505,000	31,300	536,300
2044	530,000	10,600	540,600
	<u>\$ 7,400,000</u>	<u>\$ 3,173,712</u>	<u>\$ 10,573,712</u>

See accompanying auditor's report.



*Sienna Municipal Utility District No. 4*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2019 Road--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 225,000	\$ 159,225	\$ 384,225
2026	235,000	154,625	389,625
2027	240,000	149,875	389,875
2028	250,000	144,975	394,975
2029	260,000	139,875	399,875
2030	270,000	134,575	404,575
2031	285,000	129,025	414,025
2032	295,000	123,041	418,041
2033	305,000	116,475	421,475
2034	320,000	109,244	429,244
2035	330,000	101,319	431,319
2036	345,000	92,881	437,881
2037	360,000	84,069	444,069
2038	375,000	74,881	449,881
2039	385,000	65,141	450,141
2040	405,000	54,519	459,519
2041	420,000	43,175	463,175
2042	435,000	31,419	466,419
2043	455,000	19,181	474,181
2044	470,000	6,463	476,463
	<u>\$ 6,665,000</u>	<u>\$ 1,933,983</u>	<u>\$ 8,598,983</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 4*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2020--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 460,000	\$ 288,444	\$ 748,444
2026	475,000	274,419	749,419
2027	485,000	262,444	747,444
2028	500,000	252,594	752,594
2029	515,000	242,444	757,444
2030	530,000	231,994	761,994
2031	540,000	221,294	761,294
2032	555,000	210,344	765,344
2033	575,000	199,044	774,044
2034	590,000	187,394	777,394
2035	605,000	175,444	780,444
2036	620,000	163,194	783,194
2037	640,000	150,594	790,594
2038	655,000	137,644	792,644
2039	675,000	124,344	799,344
2040	695,000	110,209	805,209
2041	710,000	94,838	804,838
2042	730,000	78,638	808,638
2043	750,000	61,988	811,988
2044	770,000	44,888	814,888
2045	795,000	27,281	822,281
2046	815,000	9,169	824,169
	<u>\$ 13,685,000</u>	<u>\$ 3,548,646</u>	<u>\$ 17,233,646</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 4*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2021--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 100,000	\$ 66,975	\$ 166,975
2026	105,000	64,925	169,925
2027	105,000	62,825	167,825
2028	110,000	60,675	170,675
2029	110,000	58,475	168,475
2030	115,000	56,225	171,225
2031	115,000	53,925	168,925
2032	120,000	51,575	171,575
2033	125,000	49,125	174,125
2034	125,000	46,625	171,625
2035	130,000	44,075	174,075
2036	130,000	41,313	171,313
2037	135,000	38,331	173,331
2038	140,000	35,238	175,238
2039	145,000	32,031	177,031
2040	145,000	28,678	173,678
2041	150,000	25,175	175,175
2042	155,000	21,553	176,553
2043	160,000	17,813	177,813
2044	160,000	14,012	174,012
2045	165,000	10,153	175,153
2046	170,000	6,175	176,175
2047	175,000	2,078	177,078
	<u>\$ 3,090,000</u>	<u>\$ 887,975</u>	<u>\$ 3,977,975</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 4*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2021 Road--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 125,000	\$ 81,000	\$ 206,000
2026	125,000	78,500	203,500
2027	130,000	75,950	205,950
2028	130,000	73,350	203,350
2029	135,000	70,700	205,700
2030	140,000	67,950	207,950
2031	140,000	65,150	205,150
2032	145,000	62,300	207,300
2033	150,000	59,350	209,350
2034	155,000	56,300	211,300
2035	155,000	53,200	208,200
2036	160,000	49,850	209,850
2037	165,000	46,193	211,193
2038	170,000	42,425	212,425
2039	175,000	38,544	213,544
2040	175,000	34,497	209,497
2041	180,000	30,281	210,281
2042	185,000	25,947	210,947
2043	190,000	21,494	211,494
2044	195,000	16,922	211,922
2045	200,000	12,231	212,231
2046	205,000	7,422	212,422
2047	210,000	2,494	212,494
	<u>\$ 3,740,000</u>	<u>\$ 1,072,050</u>	<u>\$ 4,812,050</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 4*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2022--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 30,000	\$ 56,319	\$ 86,319
2026	35,000	54,694	89,694
2027	35,000	52,944	87,944
2028	35,000	51,194	86,194
2029	40,000	49,319	89,319
2030	40,000	47,319	87,319
2031	40,000	45,519	85,519
2032	45,000	43,819	88,819
2033	45,000	42,019	87,019
2034	50,000	40,119	90,119
2035	50,000	38,119	88,119
2036	50,000	36,119	86,119
2037	55,000	34,018	89,018
2038	55,000	31,819	86,819
2039	60,000	29,481	89,481
2040	60,000	27,006	87,006
2041	65,000	24,428	89,428
2042	65,000	21,747	86,747
2043	70,000	18,919	88,919
2044	75,000	15,838	90,838
2045	75,000	12,650	87,650
2046	80,000	9,356	89,356
2047	85,000	5,797	90,797
2048	90,000	1,969	91,969
	<u>\$ 1,330,000</u>	<u>\$ 790,531</u>	<u>\$ 2,120,531</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 4*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2022 Road--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 420,000	\$ 745,763	\$ 1,165,763
2026	440,000	722,113	1,162,113
2027	460,000	697,363	1,157,363
2028	480,000	671,513	1,151,513
2029	505,000	644,425	1,149,425
2030	525,000	616,100	1,141,100
2031	550,000	587,225	1,137,225
2032	575,000	558,413	1,133,413
2033	600,000	533,538	1,133,538
2034	625,000	511,319	1,136,319
2035	655,000	486,500	1,141,500
2036	685,000	459,700	1,144,700
2037	715,000	431,699	1,146,699
2038	745,000	402,500	1,147,500
2039	780,000	372,000	1,152,000
2040	815,000	340,100	1,155,100
2041	850,000	306,269	1,156,269
2042	890,000	269,825	1,159,825
2043	930,000	231,150	1,161,150
2044	970,000	190,775	1,160,775
2045	1,015,000	148,594	1,163,594
2046	1,060,000	104,500	1,164,500
2047	1,110,000	58,388	1,168,388
2048	1,160,000	17,400	1,177,400
	<u>\$ 17,560,000</u>	<u>\$ 10,107,172</u>	<u>\$ 27,667,172</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 4*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2023--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 75,000	\$ 165,956	\$ 240,956
2026	90,000	161,832	251,832
2027	90,000	157,331	247,331
2028	95,000	152,707	247,707
2029	100,000	147,331	247,331
2030	105,000	141,182	246,182
2031	110,000	135,831	245,831
2032	115,000	131,332	246,332
2033	120,000	126,631	246,631
2034	125,000	121,731	246,731
2035	135,000	116,531	251,531
2036	140,000	111,031	251,031
2037	145,000	105,331	250,331
2038	150,000	99,431	249,431
2039	160,000	93,131	253,131
2040	165,000	86,428	251,428
2041	175,000	79,306	254,306
2042	185,000	71,656	256,656
2043	190,000	63,688	253,688
2044	200,000	55,400	255,400
2045	210,000	46,556	256,556
2046	220,000	37,150	257,150
2047	230,000	27,306	257,306
2048	240,000	16,875	256,875
2049	255,000	5,738	260,738
	<u>\$ 3,825,000</u>	<u>\$ 2,457,422</u>	<u>\$ 6,282,422</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 4*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2023 Road--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 120,000	\$ 255,375	\$ 375,375
2026	140,000	250,174	390,174
2027	145,000	244,475	389,475
2028	150,000	238,574	388,574
2029	160,000	232,375	392,375
2030	165,000	225,875	390,875
2031	175,000	219,075	394,075
2032	180,000	211,975	391,975
2033	190,000	204,575	394,575
2034	200,000	196,775	396,775
2035	210,000	188,575	398,575
2036	220,000	179,975	399,975
2037	230,000	170,975	400,975
2038	240,000	161,425	401,425
2039	250,000	151,163	401,163
2040	265,000	140,219	405,219
2041	275,000	128,572	403,572
2042	290,000	116,213	406,213
2043	305,000	103,197	408,197
2044	320,000	89,325	409,325
2045	330,000	74,700	404,700
2046	350,000	59,400	409,400
2047	365,000	43,313	408,313
2048	380,000	26,550	406,550
2049	400,000	9,000	409,000
	<u>\$ 6,055,000</u>	<u>\$ 3,921,850</u>	<u>\$ 9,976,850</u>

See accompanying auditor's report.



***Sienna Municipal Utility District No. 4***  
***TSI-5. Long-Term Debt Service Requirements***  
***All Bonded Debt Series--by Years***  
***July 31, 2024***

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 2,715,000	\$ 2,844,136	\$ 5,559,136
2026	2,850,000	2,748,884	5,598,884
2027	2,940,000	2,654,863	5,594,863
2028	3,050,000	2,560,051	5,610,051
2029	3,180,000	2,460,195	5,640,195
2030	3,295,000	2,355,606	5,650,606
2031	3,415,000	2,247,580	5,662,580
2032	3,545,000	2,136,145	5,681,145
2033	3,685,000	2,024,084	5,709,084
2034	3,825,000	1,909,972	5,734,972
2035	3,965,000	1,788,911	5,753,911
2036	4,115,000	1,661,096	5,776,096
2037	4,280,000	1,526,636	5,806,636
2038	4,435,000	1,385,603	5,820,603
2039	4,610,000	1,237,682	5,847,682
2040	4,785,000	1,081,504	5,866,504
2041	4,965,000	915,577	5,880,577
2042	5,155,000	740,728	5,895,728
2043	4,175,000	579,580	4,754,580
2044	3,690,000	444,223	4,134,223
2045	2,790,000	332,165	3,122,165
2046	2,900,000	233,172	3,133,172
2047	2,175,000	139,376	2,314,376
2048	1,870,000	62,794	1,932,794
2049	655,000	14,738	669,738
	<u>\$ 87,065,000</u>	<u>\$ 36,085,301</u>	<u>\$ 123,150,301</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 4*  
*TSI-6. Change in Long-Term Bonded Debt*  
*July 31, 2024*

*Page 1 of 3*

	Bond Issue			
	Series 2016	Series 2016A Road	Series 2017	Series 2018
Interest rate	2.00% - 3.60%	1.75% - 3.60%	2.25% - 4.50%	3.25% - 5.00%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/19 - 9/1/41	9/1/18 - 9/1/41	9/1/18 - 9/1/42	9/1/19 - 9/1/43
Beginning bonds outstanding	\$ 7,755,000	\$ 8,060,000	\$ 8,780,000	\$ 7,635,000
Bonds issued				
Bonds retired	<u>(285,000)</u>	<u>(300,000)</u>	<u>(295,000)</u>	<u>(235,000)</u>
Ending bonds outstanding	<u>\$ 7,470,000</u>	<u>\$ 7,760,000</u>	<u>\$ 8,485,000</u>	<u>\$ 7,400,000</u>
Interest paid during fiscal year	<u>\$ 246,303</u>	<u>\$ 256,440</u>	<u>\$ 278,863</u>	<u>\$ 282,394</u>
Paying agent's name and city All Series	<u>Regions Bank, an Alabama State Banking Corporation, Houston, Texas</u>			

	Water, Sewer and Drainage Bonds	Road Bonds	Park Bonds
Bond Authority:			
Amount Authorized by Voters	\$ 265,300,000	\$ 166,300,000	\$ 68,200,000
Amount Issued	<u>(50,405,000)</u>	<u>(44,735,000)</u>	
Remaining To Be Issued	<u>\$ 214,895,000</u>	<u>\$ 121,565,000</u>	<u>\$ 68,200,000</u>

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

Debt Service Fund cash and investment balances as of July 31, 2024: \$ 7,287,485

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 4,926,012

See accompanying auditor's report.

Bond Issue				
Series 2019 Road	Series 2020	Series 2021	Series 2021 Road	Series 2022
2.00% - 2.75%	2.00% - 3.00%	2.00% - 2.375%	2.00% - 2.375%	4.00% - 5.00%
9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
9/1/20 -	9/1/22 -	9/1/23 -	9/1/23 -	9/1/23 -
9/1/43	9/1/45	9/1/46	9/1/46	9/1/47
\$ 6,880,000	\$ 14,135,000	\$ 3,190,000	\$ 3,860,000	\$ 1,355,000
(215,000)	(450,000)	(100,000)	(120,000)	(25,000)
\$ 6,665,000	\$ 13,685,000	\$ 3,090,000	\$ 3,740,000	\$ 1,330,000
\$ 163,625	\$ 299,844	\$ 68,975	\$ 83,450	\$ 57,694

*Sienna Municipal Utility District No. 4*  
*TSI-6. Change in Long-Term Bonded Debt (continued)*  
*July 31, 2024*

*Page 3 of 3*

	Bond Issue			Totals
	Series 2022 Road	Series 2023	Series 2023 Road	
Interest rate	3.00% - 5.50%	4.00% - 6.00%	4.00% - 4.50%	
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	
Maturity dates	9/1/23 - 9/1/47	9/1/24 - 9/1/48	9/1/24 - 9/1/48	
Beginning bonds outstanding	\$ 17,920,000	\$ -	\$ -	\$ 79,570,000
Bonds issued		3,825,000	6,055,000	9,880,000
Bonds retired	(360,000)			(2,385,000)
Ending bonds outstanding	<u>\$ 17,560,000</u>	<u>\$ 3,825,000</u>	<u>\$ 6,055,000</u>	<u>\$ 87,065,000</u>
Interest paid during fiscal year	<u>\$ 767,213</u>	<u>\$ 65,734</u>	<u>\$ 100,962</u>	<u>\$ 2,671,497</u>

See accompanying auditor's report.

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

	Amounts				
	2024	2023	2022**	2021	2020
Revenues					
Water service	\$ 925,146	\$ 858,377	\$ 1,010,087	\$ 709,882	\$ 571,675
Sewer service	1,199,069	1,165,937	1,385,325	923,339	716,566
Property taxes	852,165	1,165,238	964,086	754,679	493,929
Penalties and interest	41,430	51,877	45,357	15,367	20,225
Tap connection and inspection	227,523	77,045	317,855	743,747	547,399
Surface water fees	927,058	817,847	998,199	653,101	600,555
Fire protection fees	598,786	593,072	714,600	510,879	410,507
Miscellaneous	6,597	10,987	9,519	4,557	3,337
Investment earnings	258,782	150,289	12,808	8,796	18,877
Total Revenues	5,036,556	4,890,669	5,457,836	4,324,347	3,383,070
Expenditures					
Current service operations					
Professional fees	165,393	167,768	239,237	238,437	140,612
Contracted services	722,895	688,366	798,620	723,480	655,832
Repairs and maintenance	345,437	199,388	269,288	287,007	258,308
Utilities	105,204	84,791	31,213	765	620
Surface water	954,688	826,805	1,012,931	656,967	606,877
Administrative	73,721	68,055	77,614	67,429	54,294
Other	33,175	33,147	38,041	34,663	28,746
Capital outlay	70,833	65,441			
Intergovernmental					
Master District connection charges	903,538	875,269	1,156,309	734,055	571,544
Facilities renewal and replacement	85,715	82,351	96,551	43,729	41,061
Fire protection services	595,292	602,280	716,703	511,657	412,220
Total Expenditures	4,055,891	3,693,661	4,436,507	3,298,189	2,770,114
Revenues Over Expenditures	\$ 980,665	\$ 1,197,008	\$ 1,021,329	\$ 1,026,158	\$ 612,956
Total Active Retail Water Connections	2,231	2,185	2,167	2,027	1,653
Total Active Retail Wastewater Connections	2,141	2,099	2,079	1,939	1,567

\*Percentage is negligible

\*\* Fifteen-month period

See accompanying auditor's report.

Percent of Fund Total Revenues				
2024	2023	2022**	2021	2020
18%	18%	19%	18%	17%
24%	24%	25%	21%	20%
17%	24%	18%	17%	15%
1%	1%	1%	*	1%
5%	2%	6%	17%	16%
18%	16%	18%	15%	18%
12%	12%	13%	12%	12%
*	*	*	*	*
5%	3%	*	*	1%
100%	100%	100%	100%	100%
3%	3%	4%	6%	4%
14%	14%	15%	17%	19%
7%	4%	5%	7%	8%
2%	2%	1%	*	*
19%	17%	19%	15%	18%
1%	1%	1%	2%	2%
1%	1%	1%	1%	1%
18%	18%	21%	17%	17%
2%	2%	2%	1%	1%
12%	12%	13%	12%	12%
79%	74%	82%	78%	82%
21%	26%	18%	22%	18%

***Sienna Municipal Utility District No. 4***

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

***For the Last Five Fiscal Periods***

	Amounts				
	2024	2023	2022**	2021	2020
Revenues					
Property taxes	\$ 9,578,266	\$ 8,339,606	\$ 6,534,360	\$ 5,128,239	\$ 4,023,552
Penalties and interest	52,377	40,763	31,572	24,045	13,876
Miscellaneous	11,007	15,822	4,743	13,500	1,223
Investment earnings	281,860	190,728	16,358	4,734	41,437
Total Revenues	9,923,510	8,586,919	6,587,033	5,170,518	4,080,088
Expenditures					
Tax collection services	133,688	133,488	117,295	68,860	66,207
Debt service					
Principal	2,385,000	1,715,000	1,230,000	1,205,000	1,005,000
Interest and fees	2,678,751	2,063,036	1,687,133	1,465,329	1,269,183
Intergovernmental					
Contractual obligations	3,756,828	2,986,993	2,749,963	1,902,673	1,573,853
Total Expenditures	8,954,267	6,898,517	5,784,391	4,641,862	3,914,243
Revenues Over Expenditures	\$ 969,243	\$ 1,688,402	\$ 802,642	\$ 528,656	\$ 165,845

\*Percentage is negligible

\*\* Fifteen-month period

See accompanying auditor's report.



Percent of Fund Total Revenues				
2024	2023	2022**	2021	2020
96%	98%	100%	99%	99%
1%	*		1%	*
*	*	*	*	*
3%	2%	*	*	1%
100%	100%	100%	100%	100%
1%	2%	2%	1%	2%
24%	20%	19%	23%	25%
27%	24%	26%	28%	31%
38%	35%	42%	37%	39%
90%	81%	89%	89%	97%
10%	19%	11%	11%	3%

***Sienna Municipal Utility District No. 4***  
***TSI-8. Board Members, Key Personnel and Consultants***  
***July 31, 2024***

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 6, 2024  
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members</b>				
Ray Sick	5/22 to 5/26	\$ 1,989	\$ 155	President
Maris Reynolds	5/24 to 5/28	2,652	366	Vice President
Robert Vacek	5/22 to 5/26	2,652	219	Secretary
Bryan D. Ives	5/24 to 5/28	2,210	292	Assistant Secretary
Jose A. Munoz	5/24 to 5/28	663		Assistant Vice President
Mary Berna	5/20 to 5/24	2210	1232	Former Director
<b>Consultants</b>				
Allen Boone Humphries Robinson LLP	2004	Amounts Paid		Attorney
<i>General legal</i>		\$ 100,868		
<i>Bond counsel</i>		281,664		
Si Environmental, LLC	2013	490,134		Operator
Municipal Accounts & Consulting	2017	93,039		Bookkeeper
Tax Tech, Inc.	2006	37,399		Tax Collector
Fort Bend Central Appraisal District	Legislation	79,785		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	2006	5,872		Delinquent Tax Attorney
LJA Engineering and Surveying	2000	157,451		Engineer
McGrath & Co., PLLC	2010	31,750		Auditor
Robert W. Baird & Co.	2015	200,094		Financial Advisor

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

**SIENNA MUNICIPAL  
UTILITY DISTRICT NO. 5  
FORT BEND COUNTY, TEXAS  
FINANCIAL REPORT  
July 31, 2024**



## Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
<b>BASIC FINANCIAL STATEMENTS</b>		
Statement of Net Position and Governmental Funds Balance Sheet		16
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		17
Notes to Financial Statements		19
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Budgetary Comparison Schedule – General Fund		40
Notes to Required Supplementary Information		41
<b>TEXAS SUPPLEMENTARY INFORMATION</b>		
Services and Rates	TSI-1	44
General Fund Expenditures	TSI-2	46
Investments	TSI-3	47
Taxes Levied and Receivable	TSI-4	N/A
Long-Term Debt Service Requirements by Years	TSI-5	48
Change in Long-Term Bonded Debt	TSI-6	62
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	66
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	68
Board Members, Key Personnel and Consultants	TSI-8	70



# **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. 5  
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. 5 (the "District"), as of and for the year ended July 31, 2024, 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. 5, as of July 31, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **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. 5  
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.

*McGuire & Co, P.C.*

Houston, Texas  
November 4, 2024

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

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***Sienna Municipal Utility District No. 5  
Management's Discussion and Analysis  
July 31, 2024***

**Using this Annual Report**

Within this section of the financial report of Sienna Municipal Utility District No. 5 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended July 31, 2024. 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. 5  
Management's Discussion and Analysis  
July 31, 2024***

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

**Fund Financial Statements**

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

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

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

The District's net position at July 31, 2024, was negative \$50,852,030. The District's net position is negative because the District incurs debt to construct road facilities which it conveys to Fort Bend County. A comparative summary of the District's overall financial position, as of July 31, 2024 **and 2023**, is as follows:

	2024	2023
Current and other assets	\$ 11,551,078	\$ 7,052,184
Capital assets	62,617,864	50,135,015
Total assets	<u>74,168,942</u>	<u>57,187,199</u>
Current liabilities	4,474,805	3,312,255
Long-term liabilities	120,546,167	96,347,377
Total liabilities	<u>125,020,972</u>	<u>99,659,632</u>
Net position		
Net investment in capital assets	(22,744,301)	(19,378,504)
Restricted	5,927,438	4,100,897
Unrestricted	(34,035,167)	(27,194,826)
Total net position	<u>\$ (50,852,030)</u>	<u>\$ (42,472,433)</u>

***Sienna Municipal Utility District No. 5  
Management's Discussion and Analysis  
July 31, 2024***

The total net position of the District decreased during the current fiscal year by \$8,379,597. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2024	2023
Revenues		
Monthly connections	\$ 1,578,203	\$ 1,349,655
Fire connections	1,057,822	943,098
Surface water fees	1,560,497	1,218,126
Renewal and replacement charges	139,969	121,327
Contract taxes	5,715,194	3,933,945
Other	499,571	213,903
Total revenues	<u>10,551,256</u>	<u>7,780,054</u>
Expenses		
Current service operations	1,167,272	888,274
Debt interest and fees	2,781,356	1,903,242
Developer interest	1,188,566	1,128,789
Debt issuance costs	1,424,633	785,608
Intergovernmental	4,007,658	3,472,983
Depreciation/amortization	2,006,373	1,586,003
Total expenses	<u>12,575,858</u>	<u>9,764,899</u>
Change in net position before other items	(2,024,602)	(1,984,845)
Other items		
Change in estimate of due to developers		1,842,432
Transfers to other governments	<u>(6,354,995)</u>	<u>(2,931,205)</u>
Change in net position	(8,379,597)	(3,073,618)
Net position, beginning	<u>(42,472,433)</u>	<u>(39,398,815)</u>
Net position, ending	<u><u>\$ (50,852,030)</u></u>	<u><u>\$ (42,472,433)</u></u>

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

The District's combined fund balances, as of July 31, 2024, were \$10,343,703, which consists of \$802,167 in the General Fund, \$6,731,214 in the Debt Service Fund, and \$2,810,322 in the Capital Projects Fund.

***Sienna Municipal Utility District No. 5  
Management's Discussion and Analysis  
July 31, 2024***

*General Fund*

A comparative summary of the General Fund's financial position as of July 31, 2024 **and 2023**, is as follows:

	2024	2023
Total assets	<u>\$ 2,007,792</u>	<u>\$ 1,984,587</u>
Total liabilities	\$ 1,044,279	\$ 1,070,158
Total deferred inflows	161,346	
Total fund balance	<u>802,167</u>	<u>914,429</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,007,792</u>	<u>\$ 1,984,587</u>

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

	2024	2023
Total revenues	\$ 4,216,329	\$ 3,671,687
Total expenditures	<u>(4,453,151)</u>	<u>(3,879,204)</u>
Revenues under expenditures	(236,822)	(207,517)
Other changes in fund balance	124,560	98,540
Net change in fund balance	<u>\$ (112,262)</u>	<u>\$ (108,977)</u>

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

*Debt Service Fund*

A comparative summary of the Debt Service Fund's financial position as of July 31, 2024 **and 2023**, is as follows:

	2024	2023
Total assets	<u>\$ 6,731,214</u>	<u>\$ 4,632,626</u>
Total fund balance	<u>\$ 6,731,214</u>	<u>\$ 4,632,626</u>



***Sienna Municipal Utility District No. 5  
Management's Discussion and Analysis  
July 31, 2024***

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

	2024	2023
Total revenues	\$ 5,986,651	\$ 4,082,734
Total expenditures	(4,783,588)	(3,283,992)
Revenues over expenditures	1,203,063	798,742
Other changes in fund balance	895,525	410,725
Net change in fund balance	\$ 2,098,588	\$ 1,209,467

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

***Capital Projects Fund***

A comparative summary of the Capital Projects Fund's financial position as of July 31, 2024 **and 2023**, is as follows:

	2024	2023
Total assets	\$ 2,812,072	\$ 434,971
Total liabilities	\$ 1,750	\$ 368
Total fund balance	2,810,322	434,603
Total liabilities and fund balance	\$ 2,812,072	\$ 434,971

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

	2024	2023
Total revenues	\$ 186,930	\$ 25,633
Total expenditures	(14,726,251)	(9,260,019)
Revenues under expenditures	(14,539,321)	(9,234,386)
Other changes in fund balance	16,915,040	8,802,382
Net change in fund balance	\$ 2,375,719	\$ (432,004)

The District has had considerable capital asset activity in the last two fiscal periods, which was financed with proceeds from the issuance of its Series 2023 Contract Revenue Bonds and Series 2023 Contract Revenue Road Bonds in the current year and the sale of its Series 2022 Contract Revenue Bonds and Series 2022 Contract Revenue Road Bonds in the prior year.

***Sienna Municipal Utility District No. 5  
Management's Discussion and Analysis  
July 31, 2024***

**General Fund Budgetary Highlights**

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$112,262 less than budgeted. The *Budgetary Comparison Schedule* on page 40 of this report provides variance information per financial statement line item.

**Capital Assets**

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

Capital assets held by the District at July 31, 2024 **and 2023**, are summarized as follows:

	2024	2023
Capital assets not being depreciated		
Land and improvements	\$ 1,886,465	\$ 1,822,362
Capital assets being depreciated/amortized		
Infrastructure	31,441,378	20,999,041
Landscaping improvements	17,116,989	13,134,207
Capacity in regional facilities	20,332,180	20,332,180
	<u>68,890,547</u>	<u>54,465,428</u>
Less accumulated depreciation/amortization		
Infrastructure	(3,055,715)	(2,357,019)
Landscaping improvements	(2,296,293)	(1,440,442)
Capacity in regional facilities	(2,807,140)	(2,355,314)
	<u>(8,159,148)</u>	<u>(6,152,775)</u>
Depreciable capital assets, net	<u>60,731,399</u>	<u>48,312,653</u>
Capital assets, net	<u><u>\$ 62,617,864</u></u>	<u><u>\$ 50,135,015</u></u>

Capital asset additions during the current year include the following:

- Lift Station No. 6
- Sienna Section 50B – utilities
- Sienna Parkway Phase 5 – utilities
- Waters Lake Phase 4 – utilities
- Sheet pile structure at Sienna Oaks Lakes and Main Channel
- Landscaping to serve Sienna Sections 39B, 46, 49, 52, 53, 55, 57, 64 and 66
- Landscaping to serve Suzanne Eastwood and Woodmont Park

***Sienna Municipal Utility District No. 5  
Management's Discussion and Analysis  
July 31, 2024***

Additionally, Fort Bend County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended July 31, 2024, capital assets in the amount of \$6,354,995 have been recorded as transfers to other governments in the government-wide statements.

**Long-Term Debt and Related Liabilities**

As of July 31, 2024, the District owes approximately \$31,843,544 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 \$25,574,064 for projects under construction by the developers. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At July 31, 2024 **and 2023**, the District had total bonded debt outstanding as shown below:

Series	2024	2023
2015 Road	\$ 920,000	\$ 955,000
2016 WSD	1,795,000	1,865,000
2017 WSD	5,555,000	5,750,000
2019 WSD	6,355,000	6,545,000
2019 Road	7,580,000	7,810,000
2020 WSD	5,635,000	5,820,000
2020 Road	5,600,000	5,800,000
2021 WSD	9,435,000	9,725,000
2021 Road	6,415,000	6,615,000
2022 WSD	3,650,000	3,650,000
2022 Road	5,565,000	5,680,000
2023 WSD	9,420,000	
2023 Road	8,760,000	
	<u>\$ 76,685,000</u>	<u>\$ 60,215,000</u>

During the current year, the District, in its capacity as a Master District, issued \$9,420,000 in contract revenue bonds and \$8,760,000 in contract revenue road bonds.

At July 31, 2024, the District, in its capacity as a Master District, had contract revenue bonds of \$397,140,000 authorized, but unissued for the purposes of regional water, sanitary sewer and drainage facilities; \$218,300,000 for parks and recreational facilities; \$212,745,000 for road improvements; and \$32,800,000 for fire-fighting facilities.

***Sienna Municipal Utility District No. 5  
Management's Discussion and Analysis  
July 31, 2024***

At July 31, 2024, the District, in its capacity as a participating district, had \$12,300,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$2,900,000 for parks and recreational facilities and the refunding of such bonds and \$9,200,000 for road improvements and the refunding of such bonds.

Additionally, as further discussed in Note 10, the District is obligated to pay its pro-rata share of regional wastewater treatment facilities constructed by Sienna Regional Municipal Utility District and elected to finance this obligation by paying its pro-rata share of the bonds issued to construct the facilities. The District's obligation as of July 31, 2024 **and 2023**, is as follows:

	2024	2023
Principal Amount	\$ 12,305,000	\$ 12,695,000

**Next Year's Budget**

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

	2024 Actual	2025 Budget
Total revenues	\$ 4,216,329	\$ 4,584,618
Total expenditures	(4,453,151)	(4,709,178)
Revenues under expenditures	(236,822)	(124,560)
Other changes in fund balance	124,560	124,560
Net change in fund balance	(112,262)	
Beginning fund balance	914,429	802,167
Ending fund balance	<u>\$ 802,167</u>	<u>\$ 802,167</u>

## **Basic Financial Statements**

**Sienna Municipal Utility District No. 5**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**July 31, 2024**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 475,670	\$ -	\$ 280	\$ 475,950	\$ -	\$ 475,950
Investments	688,730	6,731,214	2,883,093	10,303,037		10,303,037
Internal balances	71,301		(71,301)			
Due from other governments	755,790			755,790		755,790
Prepaid items	16,301			16,301		16,301
Capital assets not being depreciated					1,886,465	1,886,465
Capital assets, net					60,731,399	60,731,399
Total Assets	<u>\$ 2,007,792</u>	<u>\$ 6,731,214</u>	<u>\$ 2,812,072</u>	<u>\$ 11,551,078</u>	<u>62,617,864</u>	<u>74,168,942</u>
<b>Liabilities</b>						
Accounts payable	\$ 714,148	\$ -	\$ 1,750	\$ 715,898		715,898
Operating reserve	330,131			330,131		330,131
Accrued interest payable					803,776	803,776
Due to developers					31,843,544	31,843,544
Note payable (Note 10)					2,076,000	2,076,000
Contractual obligations						
Due within one year					400,000	400,000
Due after one year					11,905,000	11,905,000
Long-term debt						
Due within one year					2,225,000	2,225,000
Due after one year					74,721,623	74,721,623
Total Liabilities	<u>1,044,279</u>		<u>1,750</u>	<u>1,046,029</u>	<u>123,974,943</u>	<u>125,020,972</u>
<b>Deferred Inflows of Resources</b>						
Deferred monthly connection charges	<u>161,346</u>			<u>161,346</u>	<u>(161,346)</u>	
<b>Fund Balances/Net Position</b>						
<b>Fund Balances</b>						
Nonspendable	16,301			16,301	(16,301)	
Restricted		6,731,214	2,810,322	9,541,536	(9,541,536)	
Unassigned	785,866			785,866	(785,866)	
Total Fund Balances	<u>802,167</u>	<u>6,731,214</u>	<u>2,810,322</u>	<u>10,343,703</u>	<u>(10,343,703)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,007,792</u>	<u>\$ 6,731,214</u>	<u>\$ 2,812,072</u>	<u>\$ 11,551,078</u>		
<b>Net Position</b>						
Net investment in capital assets					(22,744,301)	(22,744,301)
Restricted for debt service					5,927,438	5,927,438
Unrestricted					(34,035,167)	(34,035,167)
Total Net Position					<u>\$ (50,852,030)</u>	<u>\$ (50,852,030)</u>

See notes to basic financial statements.

**Sienna Municipal Utility District No. 5**

**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances  
For the Period Ended July 31, 2024**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Monthly connections	\$ 1,513,376	\$ -	\$ -	\$ 1,513,376	\$ 64,827	\$ 1,578,203
Fire connection charges	1,016,606			1,016,606	41,216	1,057,822
Surface water fees	1,509,668			1,509,668	50,829	1,560,497
Renewal and replacement charges	135,495			135,495	4,474	139,969
Contract taxes		5,715,194		5,715,194		5,715,194
Investment earnings	41,184	271,457	186,930	499,571		499,571
Total Revenues	<u>4,216,329</u>	<u>5,986,651</u>	<u>186,930</u>	<u>10,389,910</u>	<u>161,346</u>	<u>10,551,256</u>
<b>Expenditures/Expenses</b>						
Current service operations						
Professional fees	173,004		558,588	731,592		731,592
Contracted services	85,662			85,662		85,662
Repairs and maintenance	234,144			234,144		234,144
Utilities	59,595			59,595		59,595
Administrative	42,910		60	42,970		42,970
Other	13,309			13,309		13,309
Capital outlay			11,554,404	11,554,404	(11,554,404)	
Debt service						
Principal		1,710,000		1,710,000	(1,710,000)	
Interest and fees	124,560	2,395,897		2,520,457	260,899	2,781,356
Developer interest			1,188,566	1,188,566		1,188,566
Debt issuance costs			1,424,633	1,424,633		1,424,633
Intergovernmental						
Monthly connection charges	3,718,296			3,718,296		3,718,296
Contractual obligations	1,671	677,691		679,362	(390,000)	289,362
Depreciation/amortization					2,006,373	2,006,373
Total Expenditures/Expenses	<u>4,453,151</u>	<u>4,783,588</u>	<u>14,726,251</u>	<u>23,962,990</u>	<u>(11,387,132)</u>	<u>12,575,858</u>
<b>Revenues Over/(Under) Expenditures/Expenses</b>	(236,822)	1,203,063	(14,539,321)	(13,573,080)	11,548,478	(2,024,602)
<b>Other Financing Sources/(Uses)</b>						
Proceeds from sale of bonds		895,525	17,284,475	18,180,000	(18,180,000)	
Repayment of operating advances			(369,435)	(369,435)	369,435	
Developer advances	124,560			124,560	(124,560)	
<b>Other Item</b>						
Transfers to other governments					(6,354,995)	(6,354,995)
<b>Net Change in Fund Balances</b>	(112,262)	2,098,588	2,375,719	4,362,045	(4,362,045)	
<b>Change in Net Position</b>					(8,379,597)	(8,379,597)
Fund Balance/Net Position						
Beginning of the year	914,429	4,632,626	434,603	5,981,658	(48,454,091)	(42,472,433)
<b>End of the year</b>	<u>\$ 802,167</u>	<u>\$ 6,731,214</u>	<u>\$ 2,810,322</u>	<u>\$ 10,343,703</u>	<u>\$ (61,195,733)</u>	<u>\$ (50,852,030)</u>

See notes to basic financial statements.

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***Sienna Municipal Utility District No. 5***  
***Notes to Financial Statements***  
***July 31, 2024***

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

The accounting policies of Sienna Municipal Utility District No. 5 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

**Creation**

The District was organized, created and established as Sienna Plantation Municipal Utility District No. 5 pursuant to an order of the Texas Natural Resource Conservation Commission, statutory predecessor to the Texas Commission on Environmental Quality (“TCEQ”), dated March 10, 1999, and operates in accordance with the Texas Water Code, Chapters 49 and 54. Road powers were added to the District by special legislation codified as Chapter 8321, Texas Special District Local Laws Code. The Board of Directors held its first meeting on October 31, 2000, and the first bonds were issued on December 10, 2015. On October 7, 2020, the District received approval from the TCEQ to change the District’s name to Sienna Municipal Utility District No. 5.

The District’s primary activities include the construction of water, wastewater, drainage, parks and recreational facilities and road improvements for the benefit of land within the boundaries of the District, as well as the construction of regional water, sewer, drainage, road, fire-fighting and park facilities within the Master District service area (see Note 9 for additional information). As further discussed in Note 10, the District transfers the regional water, sewer and drainage facilities upon completion of construction to Sienna Regional Municipal Utility District (“Sienna RM”) for operation and maintenance. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

**Reporting Entity**

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

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

**Government-Wide and Fund Financial Statements**

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

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

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

- The General Fund is used to account for the operations of the District’s facilities and all other financial transactions not reported in other funds. The principal sources of revenue are connection charges, fire connection charges, renewal and replacement charges and surface water charges. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is contract taxes. During the current year, financial resources included capitalized interest from the sale of bonds. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer, drainage and road facilities.

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

**Measurement Focus and Basis of Accounting**

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

**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 contract taxes, interest earned on investments and income from District operations. Monthly connection charges receivable that are not collected within sixty days of fiscal year end are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

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

**Use of Restricted Resources**

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

**Prepaid Items**

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

**Interfund Activity**

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

**Capital Assets**

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets are not capitalized. 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.

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

**Capital Assets (continued)**

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

Assets	Useful Life
Infrastructure	20-45 years
Landscaping improvements	20 years
Contributions for regional facilities	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, monthly connection charges receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

**Net Position – Governmental Activities**

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

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

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

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

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

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

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

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developers; the value of capital assets transferred to other governments and the value of capital assets for which the 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. 5***  
***Notes to Financial Statements***  
***July 31, 2024***

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

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

Total fund balance, governmental funds	\$ 10,343,703
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 70,777,012	
Less accumulated depreciation/amortization	<u>(8,159,148)</u>	
Change due to capital assets		62,617,864

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> .	(31,843,544)
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The District's note payable to Sienna Regional Municipal Utility District is not due and payable in the current period and is not reported as a liability in the governmental funds. It is, however, recorded as a liability in the <i>Statement of Net Position</i> .	(2,076,000)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of bonds payable, net.	
Bonds payable, net	(76,946,623)
Accrued interest payable	<u>(803,776)</u>
Change due to long-term debt	(77,750,399)

The District's contractual obligations to Sienna Regional Municipal Utility District is not due and payable in the current period and is not reported as a liability in the governmental funds. It is, however, recorded as a liability in the <i>Statement of Net Position</i> .	(12,305,000)
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Monthly connection charges that are not collected within sixty days of fiscal year end are not considered available to pay current period expenditures and are deferred in the funds.	161,346
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Total net position - governmental activities	<u><u>\$ (50,852,030)</u></u>
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***Sienna Municipal Utility District No. 5***  
***Notes to Financial Statements***  
***July 31, 2024***

**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 \$ 4,362,045

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 monthly connection charges. 161,346

Governmental funds report capital outlays for developer reimbursements as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlay	\$ 11,554,404	
Depreciation/amortization expense	(2,006,373)	
		9,548,031

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	(18,180,000)	
Principal payments	1,710,000	
Contractual obligations	390,000	
Interest expense accrual	(260,899)	
		(16,340,899)

The District conveys certain facilities to other governmental entities upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments. (6,354,995)

Amounts advanced by the District's developers for contract tax payment and interest payments on the District's note payable provide resources at the fund level, but are recognized as a liability in the *Statement of Net Position*. (124,560)

Amounts repaid to the District's developers for operating advances use financial resources at the fund level, but reduce the liability in the *Statement of Net Position*. 369,435

Change in net position of governmental activities	\$	(8,379,597)
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### **Note 3 – Deposits and Investments**

#### **Deposit Custodial Credit Risk**

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

#### **Investments**

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

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

As of July 31, 2024, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
Texas CLASS	General	\$ 688,730		
	Debt Service	6,731,214		
	Capital Projects	2,883,093		
Total		<u>\$ 10,303,037</u>	AAAm	38 days



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

**Texas CLASS**

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

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

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

**Investment Credit and Interest Rate Risk**

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

**Note 4 – Interfund Balances and Transactions**

Amounts due to/from other funds at July 31, 2024, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 71,301	Bond application fees and capital outlay paid by General Fund

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

***Sienna Municipal Utility District No. 5***  
***Notes to Financial Statements***  
***July 31, 2024***

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended July 31, 2024, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 1,822,362	\$ 64,103.00	\$ 1,886,465
Capital assets being depreciated/amortized			
Infrastructure	20,999,041	10,442,337	31,441,378
Landscaping improvements	13,134,207	3,982,782	17,116,989
Capacity in regional facilities	20,332,180		20,332,180
	<u>54,465,428</u>	<u>14,425,119</u>	<u>68,890,547</u>
Less accumulated depreciation/amortization			
Infrastructure	(2,357,019)	(698,696)	(3,055,715)
Landscaping improvements	(1,440,442)	(855,851)	(2,296,293)
Capacity in regional facilities	(2,355,314)	(451,826)	(2,807,140)
	<u>(6,152,775)</u>	<u>(2,006,373)</u>	<u>(8,159,148)</u>
Subtotal depreciable capital assets, net	<u>48,312,653</u>	<u>12,418,746</u>	<u>60,731,399</u>
Capital assets, net	<u>\$ 50,135,015</u>	<u>\$ 12,482,849</u>	<u>\$ 62,617,864</u>

Depreciation/amortization expense for the current fiscal year was \$2,006,373.

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

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

***Sienna Municipal Utility District No. 5***  
***Notes to Financial Statements***  
***July 31, 2024***

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

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

Due to developers, beginning	\$ 22,798,606
Developer reimbursements	(11,510,414)
Developer funded construction and adjustments	20,800,227
Operating advances from developers	124,560
Repayment of operating advances	(369,435)
Due to developers, ending	<u>\$ 31,843,544</u>

In addition, the District will owe the developers approximately \$25,574,064, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

Description	Contract Amount	Percentage Complete
Regional wastewater treatment plant, Phase 2	\$ 12,200,437	54.5%
Lift Station No. 7	1,514,387	0%
Water Plant No. 3 Phase 4	2,862,690	0%
Regency Lakes Phase 1	2,070,642	6.2%
Sienna Parkway Road Repair Section 1	2,333,974	26.4%
Left Turn Lane and Access Road	393,679	58%
Reclaimed water plant expansion at Sienna Regional wastewater treatment plant	1,074,576	79.4%
Section 59 - landscaping and irrigation	742,767	12.6%
Section 63 - landscaping and irrigation	195,099	0%
Section 65 - landscaping and irrigation	213,188	23.4%
Section 69A - landscaping and irrigation	142,181	7.9%
Sienna Waters Lake Boulevard Roundabouts	848,947	0%
Sienna Crescent Spring Park	981,497	0%
	<u>\$ 25,574,064</u>	

**Note 7 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 76,685,000
Unamortized discounts	(218,909)
Unamortized premium	480,532
	<u>\$ 76,946,623</u>
Due within one year	<u>\$ 2,225,000</u>

***Sienna Municipal Utility District No. 5***  
***Notes to Financial Statements***  
***July 31, 2024***

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

The District's bonds payable at July 31, 2024, consists of contract revenue bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2015 Road	\$ 920,000	\$ 1,100,000	3.10% - 4.00%	November 1, 2018/2040	November 1, May 1	November 1, 2023
2016	1,795,000	2,170,000	1.75% - 3.50%	November 1, 2018/2041	November 1, May 1	November 1, 2024
2017	5,555,000	6,645,000	2.00% - 4.00%	November 1, 2018/2042	November 1, May 1	November 1, 2025
2019	6,355,000	7,050,000	2.00% - 4.50%	November 1, 2020/2044	November 1, May 1	November 1, 2024
2019 Road	7,580,000	8,415,000	2.00% - 4.50%	November 1, 2020/2044	November 1, May 1	November 1, 2024
2020	5,635,000	6,000,000	2.00% - 4.50%	November 1, 2022/2045	November 1, May 1	November 1, 2025
2020 Road	5,600,000	6,000,000	2.00% - 4.50%	November 1, 2022/2045	November 1, May 1	November 1, 2025
2021	9,435,000	9,725,000	2.00% - 4.50%	November 1, 2023/2046	November 1, May 1	November 1, 2026
2021 Road	6,415,000	6,800,000	2.00% - 4.50%	November 1, 2022/2046	November 1, May 1	November 1, 2026
2022	3,650,000	3,650,000	4.00% - 6.50%	November 1, 2024/2047	November 1, May 1	November 1, 2028
2022 Road	5,565,000	5,680,000	4.00% - 6.50%	November 1, 2023/2047	November 1, May 1	November 1, 2028
2023	9,420,000	9,420,000	4.50% - 7.00%	November 1, 2024/2048	November 1, May 1	November 1, 2029
2023 Road	8,760,000	8,760,000	4.50% - 7.00%	November 1, 2024/2048	November 1, May 1	November 1, 2029
	<u>\$ 76,685,000</u>					

Payments of principal and interest on all series of contract revenue bonds are to be provided from the participating districts, including the District in its capacity as a participating district, based on their pro rata share of the total certified assessed valuation of all participating districts. The participating districts are contractually required to levy a contract tax in an amount sufficient to meet their required contribution. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

*Sienna Municipal Utility District No. 5*  
*Notes to Financial Statements*  
*July 31, 2024*

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

On October 12, 2023, the District issued \$9,420,000 Series 2023 Contract Revenue Bonds at a net effective interest rate of 4.905314%. Proceeds of the bonds were used to (1) reimburse developers for the cost of regional facilities constructed within the Master District service area and operating advances; (2) to pay developer interest expense at the net effective interest rate of the bonds; and (3) to pay capitalized interest into the Debt Service Fund.

Additionally, on October 12, 2023, the District issued its \$8,760,000 Series 2023 Contract Revenue Road Bonds at a net effective interest rate of 4.905896%. Proceeds of the bonds were used to (1) reimburse developers for the cost of regional road facilities constructed within the Master District service area; (2) to pay developer interest expense at the net effective interest rate of the bonds; and (3) to pay capitalized interest into the Debt Service Fund.

At July 31, 2024, the District, in its capacity as the Master District, had contract revenue bonds of \$397,140,000 authorized, but unissued for the purposes of regional water, sanitary sewer and drainage facilities; \$218,300,000 for regional park and recreational facilities; \$212,745,000 for road improvements; and \$32,800,000 for fire-fighting facilities.

At July 31, 2024, the District, in its capacity as a participating district, had \$12,300,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$2,900,000 for parks and recreational facilities for the refunding of such bonds; and \$9,200,000 for road improvements and the refunding of such bonds.

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

Bonds payable, beginning	\$ 60,215,000
Bonds issued	18,180,000
Bonds retired	<u>(1,710,000)</u>
Bonds payable, ending	<u>\$ 76,685,000</u>

***Sienna Municipal Utility District No. 5***  
***Notes to Financial Statements***  
***July 31, 2024***

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

As of July 31, 2024, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2025	\$ 2,225,000	\$ 2,709,419	\$ 4,934,419
2026	2,350,000	2,597,337	4,947,337
2027	2,435,000	2,479,449	4,914,449
2028	2,530,000	2,360,198	4,890,198
2029	2,610,000	2,247,861	4,857,861
2030	2,710,000	2,141,566	4,851,566
2031	2,805,000	2,034,187	4,839,187
2032	2,900,000	1,927,765	4,827,765
2033	3,000,000	1,826,103	4,826,103
2034	3,105,000	1,729,006	4,834,006
2035	3,225,000	1,631,545	4,856,545
2036	3,330,000	1,531,234	4,861,234
2037	3,460,000	1,427,364	4,887,364
2038	3,570,000	1,318,079	4,888,079
2039	3,720,000	1,202,629	4,922,629
2040	3,840,000	1,080,070	4,920,070
2041	3,985,000	949,881	4,934,881
2042	4,130,000	813,369	4,943,369
2043	4,145,000	674,546	4,819,546
2044	3,870,000	540,342	4,410,342
2045	4,005,000	409,016	4,414,016
2046	3,180,000	287,045	3,467,045
2047	2,595,000	182,437	2,777,437
2048	1,755,000	93,711	1,848,711
2049	1,205,000	27,112	1,232,112
	<u>\$ 76,685,000</u>	<u>\$ 34,221,271</u>	<u>\$ 110,906,271</u>

**Note 8 – Transfers to Other Governments**

Fort Bend County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Fort Bend County, not the District and are recorded as transfers to other governments on the *Statement of Activities* upon completion of construction. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended July 31, 2024, the District reported transfers to other governments in the amount of \$6,354,995 for projects completed and transferred to the County.

***Sienna Municipal Utility District No. 5***  
***Notes to Financial Statements***  
***July 31, 2024***

**Note 9 – Master District**

On May 13, 2013, the District entered into a contract (the “Master District Contract”) with Sienna Municipal Utility District No. 4 (“MUD 4”), Sienna Municipal Utility District No. 6 (“MUD 6”), Sienna Municipal Utility District No. 7 (“MUD 7”) and itself as a participant (the “Participants”), whereby the District will construct and finance all regional water, wastewater, drainage, road, firefighting and park facilities on behalf of the Participants. Pursuant to the Utility Contract with Sienna RM (see Note 10), the water, wastewater and drainage facilities will be conveyed to Sienna RM for Sienna RM to own, operate and maintain to serve the Sienna South service area. The District’s capacity in these regional facilities is recorded as intangible assets.

*Master District Debt*

The District, in its capacity as 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 Participating districts. All Participants shall contribute to the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts. During the current year, participating districts paid contract taxes in the amount of \$5,715,194.

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

*Monthly Connection Fees for Operating Expenses*

The District will charge each Participant a monthly fee based on the unit cost per connection multiplied by the number of equivalent single-family connections reserved to the District. The monthly fee will also include those monthly operations from Sienna RM, pursuant to the Utility Contract. For the current fiscal year, the District recorded participant billings in the amount of \$4,175,145 from MUDs 4, 6 and 7 which consists of \$1,016,606 in fire connection fees, \$1,509,668 in surface water billings, \$135,495 in renewal and replacement fees, and \$1,513,376 in monthly connection charges.

*Operating Reserve*

The Master District Contract authorizes the establishment of an operating and maintenance reserve by the District equivalent to three months’ operating and maintenance expenses, as set forth in the District’s annual budget. As of July 31, 2024, the District has established an operating and maintenance reserve of \$330,131. The District shall adjust the reserve as needed, not less than annually.

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

*Utility Contract*

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

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

*Sienna RM Debt*

Sienna RM has limited authority to issue contract revenue bonds, specifically 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. The 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 District shall charge each Master District participant its pro rata share of the Sienna RM debt service requirement 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 some of the participating districts. The District’s pro-rata share of the total cost (including financing) of the regional facilities is \$12,695,000 which was funded entirely by the District’s allocated share of the Sienna RM bond proceeds.



***Sienna Municipal Utility District No. 5***  
***Notes to Financial Statements***  
***July 31, 2024***

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

As of July 31, 2024, Sienna RM has \$23,185,000 in contract revenue bonds outstanding and the District's share of said bonds is \$12,305,000. Sienna RM bills the District in January of each year for Sienna RM's debt service payments due on May 1 and November 1 of that calendar year. During the current fiscal year, the District paid \$677,691 to Sienna RM for principal and interest on its pro rata share of the 2024 debt service requirement. The 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:

Year	Principal	Interest	Total
2025	\$ 400,000	\$ 281,295	\$ 681,295
2026	405,000	274,415	679,415
2027	410,000	267,085	677,085
2028	420,000	259,418	679,418
2029	430,000	251,270	681,270
2030 - 2034	2,275,000	1,118,697	3,393,697
2035 - 2039	2,545,000	848,980	3,393,980
2040 - 2044	2,865,000	528,976	3,393,976
2045 - 2048	2,555,000	160,475	2,715,475
	<u>\$ 12,305,000</u>	<u>\$ 3,990,611</u>	<u>\$ 16,295,611</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, 6 and 7 ("Sienna South Districts") have received a loan from Sienna Municipal Utility District No. 3 ("MUD 3") in the amount of \$2,076,000 to fund their pro-rata share.

Sienna RM and the District entered into an agreement whereby the District will reimburse Sienna RM on behalf of all the Sienna South Districts for the loan from MUD 3. The District pays interest to Sienna RM of 6% annually and will fully reimburse Sienna RM upon the occurrence of a triggering event, as defined by the agreement, or by October 1, 2025, whichever comes first. Sienna RM assigned its obligations in the Joint Construction Agreement, as amended, to MUD 3. As of July 31, 2024, the District's developers have paid \$1,370,160 in interest to Sienna RM on behalf of the District.

**Note 11 – Strategic Partnership Agreement and Development Agreement with the City of Missouri City**

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

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.

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

**Note 12 – Interlocal Agreement for Transportation Facilities**

On September 2, 2020, the District entered into an interlocal agreement with Fort Bend County for the widening and improving of FM 521 from State Highway 6 to Brazoria County to benefit the District and the County. The County is responsible for the design and construction of the project. Pursuant to this agreement, the District agrees to contribute \$487,401 for engineering costs of the project by the issuance of District road bonds. As of July 31, 2024 the project is not completed.

**Note 13 – Risk Management**

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

**Note 14 – Subsequent Events**

On October 8, 2024, the District issued its \$5,125,000 Series 2024 Contract Revenue Bonds at a net effective rate 4.098269%. Proceeds from the bonds were used to reimburse the District’s developers for operating advances and infrastructure improvements in the District.

*Sienna Municipal Utility District No. 5*  
*Notes to Financial Statements*  
*July 31, 2024*

**Note 14 – Subsequent Events (continued)**

Additionally, on October 8, 2024, the District issued its \$4,250,000 Series 2024 Contract Revenue Road Bonds at a net effective rate of 4.099619%. Proceeds from the bonds were used to reimburse the District's developers for road improvements in the District.

On November 4, 2024, the District approved the sale of its \$2,475,000 Series 2024 Contract Revenue Bonds at a net effective interest rate of 4.256061%. Proceeds from the bonds will be used to reimburse MUD 3 pursuant to the terms of the Joint Construction Agreement (see Note 10).

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## **Required Supplementary Information**

**Sienna Municipal Utility District No. 5****Required Supplementary Information - Budgetary Comparison Schedule - General Fund****For the Year Ended July 31, 2024**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Monthly connections	\$ 1,533,978	\$ 1,533,978	\$ 1,513,376	\$ (20,602)
Fire connection charges	1,016,649	1,016,649	1,016,606	(43)
Surface water fees	1,364,957	1,544,415	1,509,668	(34,747)
Renewal and replacement charges	135,953	135,953	135,495	(458)
Investment earnings	21,000	21,000	41,184	20,184
Total Revenues	4,072,537	4,251,995	4,216,329	(35,666)
<b>Expenditures</b>				
Current service operations				
Professional fees	208,000	208,000	173,004	34,996
Contracted services	73,000	73,000	85,662	(12,662)
Repairs and maintenance	330,500	330,500	234,144	96,356
Utilities	50,000	50,000	59,595	(9,595)
Administrative	51,300	51,300	42,910	8,390
Other	15,100	15,100	13,309	1,791
Debt Service				
Interest and fees	124,560	124,560	124,560	
Intergovernmental				
Monthly connection charges	3,443,119	3,622,577	3,718,296	(95,719)
Contractual obligations	2,000	2,000	1,671	329
Total Expenditures	4,297,579	4,477,037	4,453,151	23,886
<b>Revenues Under Expenditures</b>	(225,042)	(225,042)	(236,822)	(11,780)
<b>Other Financing Sources</b>				
Internal transfers	100,482	100,482		(100,482)
Developer advances	124,560	124,560	124,560	
<b>Net Change in Fund Balance</b>	-	-	(112,262)	(112,262)
<b>Fund Balance</b>				
Beginning	914,429	914,429	914,429	
Ending	\$ 914,429	\$ 914,429	\$ 802,167	\$ (112,262)

*Sienna Municipal Utility District No. 5*  
*Notes to Required Supplementary Information*  
*July 31, 2024*

**Budgets and Budgetary Accounting**

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

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## **Texas Supplementary Information**

**Sienna Municipal Utility District No. 5**  
**TSI-1. Services and Rates**  
**July 31, 2024**

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

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

2. Retail Service Providers

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

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

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

Total charges per 10,000 gallons usage: Water \_\_\_\_\_ Wastewater \_\_\_\_\_

Water and Wastewater Retail Connections:

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

See accompanying auditor's report.

***Sienna Municipal Utility District No. 5***  
***TSI-1. Services and Rates***  
***July 31, 2024***

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

Gallons pumped into system:	<u>N/A</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>N/A</u>	(Gallons billed / Gallons pumped)
		<u>N/A</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 auditor's report.

*Sienna Municipal Utility District No. 5*  
*TSI-2 General Fund Expenditures*  
*For the Year Ended July 31, 2024*

Professional fees	
Legal	\$ 128,338
Audit	16,000
Engineering	28,666
	<u>173,004</u>
Contracted services	
Bookkeeping	78,054
Operator	7,608
	<u>85,662</u>
Repairs and maintenance	<u>234,144</u>
Utilities	<u>59,595</u>
Administrative	
Directors fees	12,376
Printing and office supplies	2,298
Insurance	15,218
Other	13,018
	<u>42,910</u>
Other	<u>13,309</u>
Debt service	
Interest on note payable	<u>124,560</u>
Intergovernmental	
Monthly connection charges	3,718,296
Contractual obligations	1,671
	<u>3,719,967</u>
Total expenditures	<u><u>\$ 4,453,151</u></u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 5*  
*TSI-3. Investments*  
*July 31, 2024*

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
Texas CLASS	Variable	N/A	<u>\$ 688,730</u>
Debt Service			
Texas CLASS	Variable	N/A	226,594
Texas CLASS	Variable	N/A	47,175
Texas CLASS	Variable	N/A	316,344
Texas CLASS	Variable	N/A	3,206,550
Texas CLASS	Variable	N/A	<u>2,934,551</u>
			<u>6,731,214</u>
Capital Projects			
Texas CLASS	Variable	N/A	1,381
Texas CLASS	Variable	N/A	226,833
Texas CLASS	Variable	N/A	151,950
Texas CLASS	Variable	N/A	25,233
Texas CLASS	Variable	N/A	53,424
Texas CLASS	Variable	N/A	2,221,227
Texas CLASS	Variable	N/A	<u>203,045</u>
			<u>2,883,093</u>
Total - All Funds			<u><u>\$ 10,303,037</u></u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 5*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2015 Contract Revenue Road Bonds--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2025	\$ 35,000	\$ 34,525	\$ 69,525
2026	35,000	33,431	68,431
2027	40,000	32,230	72,230
2028	40,000	30,910	70,910
2029	45,000	29,453	74,453
2030	45,000	27,833	72,833
2031	50,000	26,050	76,050
2032	50,000	24,150	74,150
2033	50,000	22,200	72,200
2034	55,000	20,100	75,100
2035	60,000	17,800	77,800
2036	60,000	15,400	75,400
2037	65,000	12,900	77,900
2038	65,000	10,300	75,300
2039	70,000	7,600	77,600
2040	75,000	4,700	79,700
2041	80,000	1,600	81,600
	<u>\$ 920,000</u>	<u>\$ 351,182</u>	<u>\$ 1,271,182</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 5*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2016 Contract Revenue WSD Bonds--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2025	\$ 70,000	\$ 56,508	\$ 126,508
2026	75,000	54,657	129,657
2027	75,000	52,670	127,670
2028	80,000	50,538	130,538
2029	80,000	48,257	128,257
2030	85,000	45,822	130,822
2031	90,000	43,198	133,198
2032	90,000	40,452	130,452
2033	95,000	37,561	132,561
2034	100,000	34,415	134,415
2035	105,000	31,033	136,033
2036	110,000	27,485	137,485
2037	115,000	23,715	138,715
2038	115,000	19,805	134,805
2039	120,000	15,750	135,750
2040	125,000	11,463	136,463
2041	130,000	7,000	137,000
2042	135,000	2,362	137,362
	<u>\$ 1,795,000</u>	<u>\$ 602,691</u>	<u>\$ 2,397,691</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 5*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2017 Contract Revenue WSD Bonds--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2025	\$ 200,000	\$ 199,881	\$ 399,881
2026	210,000	193,731	403,731
2027	220,000	187,281	407,281
2028	225,000	180,606	405,606
2029	235,000	173,559	408,559
2030	245,000	165,906	410,906
2031	255,000	157,622	412,622
2032	265,000	148,681	413,681
2033	275,000	139,231	414,231
2034	285,000	129,253	414,253
2035	295,000	118,556	413,556
2036	310,000	107,213	417,213
2037	320,000	95,000	415,000
2038	335,000	81,900	416,900
2039	350,000	68,200	418,200
2040	360,000	54,000	414,000
2041	375,000	39,300	414,300
2042	390,000	24,000	414,000
2043	405,000	8,100	413,100
	<u>\$ 5,555,000</u>	<u>\$ 2,272,020</u>	<u>\$ 7,827,020</u>

See accompanying auditor's report.



*Sienna Municipal Utility District No. 5*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2019 Contract Revenue WSD Bonds--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2025	\$ 200,000	\$ 170,100	\$ 370,100
2026	205,000	160,987	365,987
2027	215,000	151,537	366,537
2028	225,000	141,919	366,919
2029	230,000	134,837	364,837
2030	240,000	130,137	370,137
2031	250,000	125,237	375,237
2032	260,000	120,137	380,137
2033	270,000	114,669	384,669
2034	280,000	108,650	388,650
2035	295,000	102,181	397,181
2036	305,000	95,241	400,241
2037	320,000	87,819	407,819
2038	330,000	79,894	409,894
2039	345,000	71,456	416,456
2040	360,000	62,644	422,644
2041	375,000	52,519	427,519
2042	390,000	41,044	431,044
2043	405,000	29,878	434,878
2044	420,000	18,263	438,263
2045	435,000	5,981	440,981
	<u>\$ 6,355,000</u>	<u>\$ 2,005,130</u>	<u>\$ 8,360,130</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 5*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2019 Contract Revenue Road Bonds--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2025	\$ 240,000	\$ 207,913	\$ 447,913
2026	245,000	197,000	442,000
2027	255,000	185,750	440,750
2028	265,000	174,381	439,381
2029	280,000	165,950	445,950
2030	290,000	160,250	450,250
2031	300,000	154,350	454,350
2032	310,000	148,250	458,250
2033	325,000	141,697	466,697
2034	340,000	134,419	474,419
2035	350,000	126,656	476,656
2036	365,000	118,384	483,384
2037	380,000	109,537	489,537
2038	395,000	100,087	495,087
2039	410,000	90,025	500,025
2040	425,000	78,525	503,525
2041	445,000	65,475	510,475
2042	460,000	51,900	511,900
2043	480,000	37,800	517,800
2044	500,000	23,100	523,100
2045	520,000	7,800	527,800
	<u>\$ 7,580,000</u>	<u>\$ 2,479,249</u>	<u>\$ 10,059,249</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 5*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2020 Contract Revenue WSD Bonds--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2025	\$ 190,000	\$ 154,112	\$ 344,112
2026	195,000	145,450	340,450
2027	200,000	136,562	336,562
2028	205,000	127,450	332,450
2029	210,000	118,112	328,112
2030	215,000	108,550	323,550
2031	225,000	98,650	323,650
2032	230,000	90,138	320,138
2033	235,000	84,338	319,338
2034	240,000	79,588	319,588
2035	250,000	74,688	324,688
2036	255,000	69,638	324,638
2037	265,000	64,438	329,438
2038	270,000	59,088	329,088
2039	280,000	53,413	333,413
2040	285,000	47,231	332,231
2041	295,000	40,706	335,706
2042	300,000	34,012	334,012
2043	310,000	26,956	336,956
2044	320,000	19,475	339,475
2045	325,000	11,816	336,816
2046	335,000	3,978	338,978
	<u>\$ 5,635,000</u>	<u>\$ 1,648,389</u>	<u>\$ 7,283,389</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 5*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2020 Contract Revenue Road Bonds--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2025	\$ 210,000	\$ 149,581	\$ 359,581
2026	220,000	139,906	359,906
2027	225,000	129,894	354,894
2028	235,000	119,544	354,544
2029	230,000	109,081	339,081
2030	235,000	99,206	334,206
2031	235,000	90,981	325,981
2032	240,000	85,056	325,056
2033	240,000	80,256	320,256
2034	235,000	75,506	310,506
2035	235,000	70,806	305,806
2036	235,000	66,106	301,106
2037	235,000	61,406	296,406
2038	235,000	56,706	291,706
2039	235,000	51,860	286,860
2040	235,000	46,719	281,719
2041	235,000	41,431	276,431
2042	320,000	35,188	355,188
2043	325,000	27,728	352,728
2044	325,000	20,009	345,009
2045	330,000	12,231	342,231
2046	350,000	4,156	354,156
	<u>\$ 5,600,000</u>	<u>\$ 1,573,357</u>	<u>\$ 7,173,357</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 5*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2021 Contract Revenue WSD Bonds--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2025	\$ 300,000	\$ 236,825	\$ 536,825
2026	310,000	223,100	533,100
2027	315,000	209,038	524,038
2028	325,000	194,638	519,638
2029	335,000	182,300	517,300
2030	345,000	173,825	518,825
2031	350,000	166,875	516,875
2032	360,000	159,775	519,775
2033	370,000	152,475	522,475
2034	380,000	144,975	524,975
2035	395,000	137,225	532,225
2036	405,000	129,225	534,225
2037	415,000	120,766	535,766
2038	425,000	111,841	536,841
2039	440,000	102,375	542,375
2040	450,000	92,363	542,363
2041	460,000	81,838	541,838
2042	475,000	70,438	545,438
2043	490,000	58,374	548,374
2044	500,000	46,000	546,000
2045	515,000	33,312	548,312
2046	530,000	20,249	550,249
2047	545,000	6,812	551,812
	<u>\$ 9,435,000</u>	<u>\$ 2,854,644</u>	<u>\$ 12,289,644</u>

See accompanying auditor's report.

***Sienna Municipal Utility District No. 5***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2021 Contract Revenue Road Bonds--by Years***  
***July 31, 2024***

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2025	\$ 205,000	\$ 153,956	\$ 358,956
2026	210,000	144,619	354,619
2027	215,000	135,056	350,056
2028	220,000	128,018	348,018
2029	225,000	123,568	348,568
2030	235,000	118,968	353,968
2031	240,000	114,218	354,218
2032	245,000	109,368	354,368
2033	255,000	104,368	359,368
2034	260,000	99,218	359,218
2035	265,000	93,968	358,968
2036	275,000	88,397	363,397
2037	280,000	82,501	362,501
2038	290,000	76,444	366,444
2039	300,000	69,987	369,987
2040	305,000	63,181	368,181
2041	315,000	55,813	370,813
2042	325,000	47,813	372,813
2043	330,000	39,626	369,626
2044	340,000	31,251	371,251
2045	350,000	22,626	372,626
2046	360,000	13,751	373,751
2047	370,000	4,626	374,626
	<u>\$ 6,415,000</u>	<u>\$ 1,921,341</u>	<u>\$ 8,336,341</u>

See accompanying auditor's report.

***Sienna Municipal Utility District No. 5***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2022 Contract Revenue WSD Bonds--by Years***  
***July 31, 2024***

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2025	\$ 90,000	\$ 171,618	\$ 261,618
2026	90,000	165,768	255,768
2027	95,000	159,756	254,756
2028	100,000	153,419	253,419
2029	105,000	146,756	251,756
2030	110,000	139,769	249,769
2031	115,000	132,456	247,456
2032	120,000	124,819	244,819
2033	125,000	118,419	243,419
2034	130,000	113,319	243,319
2035	135,000	108,019	243,019
2036	140,000	102,519	242,519
2037	150,000	96,719	246,719
2038	155,000	90,522	245,522
2039	165,000	83,819	248,819
2040	170,000	76,700	246,700
2041	175,000	69,369	244,369
2042	185,000	61,719	246,719
2043	195,000	53,644	248,644
2044	200,000	45,000	245,000
2045	210,000	35,775	245,775
2046	220,000	26,100	246,100
2047	230,000	15,975	245,975
2048	240,000	5,400	245,400
	<u>\$ 3,650,000</u>	<u>\$ 2,297,379</u>	<u>\$ 5,947,379</u>

See accompanying auditor's report.

***Sienna Municipal Utility District No. 5***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2022 Contract Revenue Road Bonds--by Years***  
***July 31, 2024***

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2025	\$ 135,000	\$ 261,250	\$ 396,250
2026	140,000	252,313	392,313
2027	145,000	243,050	388,050
2028	155,000	233,300	388,300
2029	160,000	223,063	383,063
2030	165,000	212,500	377,500
2031	175,000	201,450	376,450
2032	180,000	189,913	369,913
2033	190,000	180,263	370,263
2034	200,000	172,463	372,463
2035	210,000	164,263	374,263
2036	215,000	155,763	370,763
2037	225,000	146,963	371,963
2038	235,000	137,616	372,616
2039	250,000	127,456	377,456
2040	260,000	116,619	376,619
2041	270,000	105,355	375,355
2042	280,000	93,668	373,668
2043	295,000	81,265	376,265
2044	310,000	68,031	378,031
2045	320,000	54,250	374,250
2046	335,000	39,712	374,712
2047	350,000	24,299	374,299
2048	365,000	8,212	373,212
	<u>\$ 5,565,000</u>	<u>\$ 3,493,037</u>	<u>\$ 9,058,037</u>

See accompanying auditor's report.



***Sienna Municipal Utility District No. 5***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2023 Contract Revenue WSD Bonds--by Years***  
***July 31, 2024***

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2025	\$ 180,000	\$ 473,125	\$ 653,125
2026	215,000	459,300	674,300
2027	225,000	443,900	668,900
2028	235,000	427,800	662,800
2029	245,000	411,000	656,000
2030	260,000	393,325	653,325
2031	270,000	374,775	644,775
2032	285,000	356,063	641,063
2033	295,000	337,213	632,213
2034	310,000	319,875	629,875
2035	325,000	304,000	629,000
2036	340,000	288,225	628,225
2037	360,000	272,475	632,475
2038	375,000	255,938	630,938
2039	390,000	238,725	628,725
2040	410,000	220,725	630,725
2041	430,000	201,825	631,825
2042	450,000	182,025	632,025
2043	470,000	161,325	631,325
2044	495,000	139,613	634,613
2045	520,000	116,775	636,775
2046	545,000	92,812	637,812
2047	570,000	67,725	637,725
2048	595,000	41,512	636,512
2049	625,000	14,062	639,062
	<u>\$ 9,420,000</u>	<u>\$ 6,594,138</u>	<u>\$ 16,014,138</u>

See accompanying auditor's report.

***Sienna Municipal Utility District No. 5***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2023 Contract Revenue Road Bonds--by Years***  
***July 31, 2024***

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2025	\$ 170,000	\$ 440,025	\$ 610,025
2026	200,000	427,075	627,075
2027	210,000	412,725	622,725
2028	220,000	397,675	617,675
2029	230,000	381,925	611,925
2030	240,000	365,475	605,475
2031	250,000	348,325	598,325
2032	265,000	330,963	595,963
2033	275,000	313,413	588,413
2034	290,000	297,225	587,225
2035	305,000	282,350	587,350
2036	315,000	267,638	582,638
2037	330,000	253,125	583,125
2038	345,000	237,938	582,938
2039	365,000	221,963	586,963
2040	380,000	205,200	585,200
2041	400,000	187,650	587,650
2042	420,000	169,200	589,200
2043	440,000	149,850	589,850
2044	460,000	129,600	589,600
2045	480,000	108,450	588,450
2046	505,000	86,287	591,287
2047	530,000	63,000	593,000
2048	555,000	38,587	593,587
2049	580,000	13,050	593,050
	<u>\$ 8,760,000</u>	<u>\$ 6,128,714</u>	<u>\$ 14,888,714</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 5*  
*TSI-5. Long-Term Debt Service Requirements*  
*All Bonded Debt Series--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due November 1	Interest Due November 1, May 1	Total
2025	\$ 2,225,000	\$ 2,709,419	\$ 4,934,419
2026	2,350,000	2,597,337	4,947,337
2027	2,435,000	2,479,449	4,914,449
2028	2,530,000	2,360,198	4,890,198
2029	2,610,000	2,247,861	4,857,861
2030	2,710,000	2,141,566	4,851,566
2031	2,805,000	2,034,187	4,839,187
2032	2,900,000	1,927,765	4,827,765
2033	3,000,000	1,826,103	4,826,103
2034	3,105,000	1,729,006	4,834,006
2035	3,225,000	1,631,545	4,856,545
2036	3,330,000	1,531,234	4,861,234
2037	3,460,000	1,427,364	4,887,364
2038	3,570,000	1,318,079	4,888,079
2039	3,720,000	1,202,629	4,922,629
2040	3,840,000	1,080,070	4,920,070
2041	3,985,000	949,881	4,934,881
2042	4,130,000	813,369	4,943,369
2043	4,145,000	674,546	4,819,546
2044	3,870,000	540,342	4,410,342
2045	4,005,000	409,016	4,414,016
2046	3,180,000	287,045	3,467,045
2047	2,595,000	182,437	2,777,437
2048	1,755,000	93,711	1,848,711
2049	1,205,000	27,112	1,232,112
	<u>\$ 76,685,000</u>	<u>\$ 34,221,271</u>	<u>\$ 110,906,271</u>

See accompanying auditor's report.

	Bond Issue			
	Series 2015 Road	Series 2016	Series 2017	Series 2019
Interest rate	3.10% - 4.00%	1.75% - 3.50%	2.00% - 4.00%	2.00% - 4.50%
Dates interest payable	11/1; 5/1	11/1; 5/1	11/1; 5/1	11/1; 5/1
Maturity dates	11/1/18 - 11/1/40	11/1/18 - 11/1/41	11/1/18 - 11/1/42	11/1/20 - 11/1/44
Beginning bonds outstanding	\$ 955,000	\$ 1,865,000	\$ 5,750,000	\$ 6,545,000
Bonds issued				
Bonds retired	(35,000)	(70,000)	(195,000)	(190,000)
Ending bonds outstanding	<u>\$ 920,000</u>	<u>\$ 1,795,000</u>	<u>\$ 5,555,000</u>	<u>\$ 6,355,000</u>
Interest paid during fiscal period	<u>\$ 35,610</u>	<u>\$ 58,222</u>	<u>\$ 205,806</u>	<u>\$ 178,875</u>
Paying agent's name and city				
Series 2023 and 2023 Roads	BOKE, NA, Dallas, Texas			
All other Series	Regions Bank, Houston, Texas			
Master District Contract Revenue Bond Authority:	Water, Sewer and Drainage Bonds	Park Bonds	Road Bonds	Fire Bonds
Amount Authorized by Voters	\$ 441,800,000	\$ 218,300,000	\$ 249,500,000	\$ 32,800,000
Amount Issued	(44,660,000)		(36,755,000)	
Remaining To Be Issued	<u>\$ 397,140,000</u>	<u>\$ 218,300,000</u>	<u>\$ 212,745,000</u>	<u>\$ 32,800,000</u>

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

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

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

Debt Service Fund cash and investment balances as of July 31, 2024: \$ 6,731,214

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 4,436,251

See accompanying auditor's report.

Bond Issue					
Series 2019 Road	Series 2020	Series 2020 Road	Series 2021	Series 2021 Road	Series 2022
2.00% - 4.50%	2.00% - 4.50%	2.00% - 4.50%	2.00% - 4.50%	2.00% - 4.50%	4.00% - 6.50%
11/1; 5/1	11/1; 5/1	11/1; 5/1	11/1; 5/1	11/1; 5/1	11/1; 5/1
11/1/20 - 11/1/44	11/1/22 - 11/1/45	11/1/22 - 11/1/45	11/1/23 - 11/1/46	11/1/22 - 11/1/46	11/1/24 - 11/1/47
\$ 7,810,000	\$ 5,820,000	\$ 5,800,000	\$ 9,725,000	\$ 6,615,000	\$ 3,650,000
(230,000)	(185,000)	(200,000)	(290,000)	(200,000)	
\$ 7,580,000	\$ 5,635,000	\$ 5,600,000	\$ 9,435,000	\$ 6,415,000	\$ 3,650,000
\$ 218,488	\$ 162,550	\$ 158,806	\$ 250,100	\$ 163,068	\$ 174,543

***Sienna Municipal Utility District No. 5***  
***TSI-6. Change in Long-Term Bonded Debt***  
***July 31, 2024***

***Page 3 of 3***

	Bond Issue			Totals
	Series 2022 Road	Series 2023	Series 2023 Road	
Interest rate	4.00% - 6.50%	4.50% - 7.00%	4.50% - 7.00%	
Dates interest payable	11/1; 5/1	11/1; 5/1	11/1; 5/1	
Maturity dates	11/1/23 - 11/1/47	11/1/24 - 11/1/48	11/1/24 - 11/1/48	
Beginning bonds outstanding	\$ 5,680,000	\$ -	\$ -	\$ 60,215,000
Bonds issued		9,420,000	8,760,000	18,180,000
Bonds retired	(115,000)			(1,710,000)
Ending bonds outstanding	<u>\$ 5,565,000</u>	<u>\$ 9,420,000</u>	<u>\$ 8,760,000</u>	<u>\$ 76,685,000</u>
Interest paid during fiscal period	<u>\$ 269,375</u>	<u>\$ 265,015</u>	<u>\$ 246,525</u>	<u>\$ 2,386,983</u>

See accompanying auditor's report.

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*Sienna Municipal Utility District No. 5**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund  
For the Last Five Fiscal Periods*

	Amounts				
	2024	2023	2022**	2021	2020
Revenues					
Monthly connection fees	\$ 1,513,376	\$ 1,349,655	\$ 1,550,538	\$ 806,877	\$ 613,385
Fire connection charges	1,016,606	943,098	998,460	594,518	464,938
Surface water fees	1,509,668	1,218,126	1,273,696	710,267	654,561
Renewal and replacement charges	135,495	121,327	121,611	47,212	44,214
Capital recovery fees			323,454	170,820	
Investment earnings	41,184	39,481	3,745	1,152	5,314
Total Revenues	4,216,329	3,671,687	4,271,504	2,330,846	1,782,412
Expenditures					
Current service operations					
Professional fees	173,004	179,000	256,743	153,988	166,874
Contracted services	85,662	71,409	130,883	111,926	89,683
Repairs and maintenance	234,144	223,258	149,269	118,943	87,849
Utilities	59,595	47,524	32,106	60,185	56,736
Administrative	42,910	36,484	36,347	31,775	43,301
Other	13,309	13,127	14,104	13,448	16,760
Lease			44,000	269,250	285,000
Debt service					
Interest and fees	124,560	124,560	124,560	124,560	124,560
Intergovernmental					
Monthly connection charges	3,718,296	3,182,318	3,279,156	1,562,425	1,333,691
Contractual obligations	1,671	1,524	1,813		
Total Expenditures	4,453,151	3,879,204	4,068,981	2,446,500	2,204,454
Revenues Over/(Under) Expenditures	\$ (236,822)	\$ (207,517)	\$ 202,523	\$ (115,654)	\$ (422,042)

\*Percentage is negligible

\*\* Fifteen-month period

See accompanying auditor's report.



Percent of Fund Total Revenues				
2024	2023	2022**	2021	2020
36%	37%	36%	35%	35%
24%	26%	23%	26%	26%
36%	33%	30%	30%	37%
3%	3%	3%	2%	2%
		8%	7%	
1%	1%	*	*	*
100%	100%	100%	100%	100%
4%	5%	6%	7%	9%
2%	2%	3%	5%	5%
6%	6%	3%	5%	5%
1%	1%	1%	3%	3%
1%	1%	1%	1%	2%
*	*	*	1%	1%
		1%	12%	16%
3%	3%	3%	5%	7%
88%	87%	77%	67%	75%
*	*	*		
105%	105%	95%	106%	123%
(5%)	(5%)	5%	(6%)	(23%)

***Sienna Municipal Utility District No. 5***

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

***For the Last Five Fiscal Periods***

	Amounts				
	2024	2023	2022**	2021	2020
Revenues					
Contract taxes	\$ 5,715,194	\$ 3,933,945	\$ 3,114,076	\$ 2,065,435	\$ 1,691,088
Investment earnings	271,457	148,789	12,484	2,434	14,141
Total Revenues	5,986,651	4,082,734	3,126,560	2,067,869	1,705,229
Expenditures					
Debt service					
Principal	1,710,000	1,250,000	660,000	585,000	255,000
Interest and fees	2,395,897	1,746,301	1,339,249	957,680	586,268
Contractual obligations	677,691	287,691	287,691	287,691	287,691
Total Expenditures	4,783,588	3,283,992	2,286,940	1,830,371	1,128,959
Revenues Over Expenditures	\$ 1,203,063	\$ 798,742	\$ 839,620	\$ 237,498	\$ 576,270

\*Percentage is negligible

\*\* Fifteen-month period

See accompanying auditor's report.

Percent of Fund Total Revenues				
2024	2023	2022**	2021	2020
95%	96%	100%	100%	99%
5%	4%	*	*	1%
100%	100%	100%	100%	100%
29%	31%	21%	28%	15%
40%	43%	43%	46%	34%
11%	7%	9%	14%	17%
80%	81%	73%	88%	66%
20%	19%	27%	12%	34%

***Sienna Municipal Utility District No. 5***  
***TSI-8. Board Members, Key Personnel and Consultants***  
***For the Year Ended July 31, 2024***

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027  
District Business Telephone Number: (713) 860-6400  
Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): May 6, 2024  
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members:</b>				
Joe Price	05/24 - 05/28	\$ 2,431	\$ -	President
Gary Ross	05/24 - 05/28	1,547		Vice President
Douglas Earle	05/22 - 05/26	3,094	299	Secretary
Regina Morales	05/24 - 05/28	2,210		Assistant Vice President
Dennis Parmer	05/22 - 05/26	3,094	897	Assistant Secretary
<b>Consultants</b>				
Allen Boone Humphries Robinson LLP	2000	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 139,782		
<i>Bond counsel</i>		461,793		
Si Environmental, LLC	2015	143,485		Operator
Municipal Accounts & Consulting, L.P	2017	88,950		Bookkeeper
Tax Tech, Inc.	2016	4,500		Tax Collector
Fort Bend Central Appraisal District	Legislation	760		Property Valuation
Costello, Inc.	2017	96,391		Engineer
McGrath & Co., PLLC	2015	37,250		Auditor
Robert W. Baird & Co.	2015	365,338		Financial Advisor

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

See accompanying auditor's report.

**SIENNA MUNICIPAL  
UTILITY DISTRICT NO. 6  
FORT BEND COUNTY, TEXAS  
FINANCIAL REPORT  
July 31, 2024**



## Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
<b>BASIC FINANCIAL STATEMENTS</b>		
Statement of Net Position and Governmental Funds Balance Sheet		16
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		17
Notes to Financial Statements		19
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Budgetary Comparison Schedule – General Fund		40
Notes to Required Supplementary Information		41
<b>TEXAS SUPPLEMENTARY INFORMATION</b>		
Services and Rates	TSI-1	44
General Fund Expenditures	TSI-2	46
Investments	TSI-3	47
Taxes Levied and Receivable	TSI-4	48
Long-Term Debt Service Requirements by Years	TSI-5	50
Change in Long-Term Bonded Debt	TSI-6	58
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	60
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	62
Board Members, Key Personnel and Consultants	TSI-8	64





# **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 year ended July 31, 2024, 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, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **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.

### **Emphasis of Matter**

As discussed in Note 3 to the financial statements, the District implemented GASB Implementation Guide 2021-1, Question 5.1 during the current fiscal year. Our opinion is not modified with respect to this matter.

### **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.

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

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.

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

**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 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.

*McGuire & Co, LLC*

Houston, Texas  
November 19, 2024

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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, 2024***

**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 fiscal year ended July 31, 2024. 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, 2024***

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

**Fund Financial Statements**

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

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

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

The District's net position at July 31, 2024, was negative \$49,568,796. 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, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	\$ 6,140,453	\$ 3,635,406
Capital assets	56,827,785	48,521,244
Total assets	<u>62,968,238</u>	<u>52,156,650</u>
Current liabilities	3,118,128	1,615,882
Long-term liabilities	109,418,906	90,933,415
Total liabilities	<u>112,537,034</u>	<u>92,549,297</u>
Net position		
Net investment in capital assets	(8,472,467)	(6,096,675)
Restricted	3,306,700	1,661,398
Unrestricted	<u>(44,403,029)</u>	<u>(35,957,370)</u>
Total net position	<u>\$ (49,568,796)</u>	<u>\$ (40,392,647)</u>

During the current fiscal year, the District implemented GASB Implementation Guide ("GASBIG") 2021-1, Question 5.1, which requires the capitalization of a group of individual assets that are below the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. In accordance with this standard, the District recognized, as infrastructure capital assets, water meters that were previously expensed in prior fiscal years, net of related accumulated depreciation, as of the beginning of the current fiscal year. Prior year data has not been restated to include values for these



***Sienna Municipal Utility District No. 6  
Management's Discussion and Analysis  
July 31, 2024***

infrastructure assets and, as a result, the presentation of prior year data as it relates to these assets is not consistent with the current year presentation (see Notes 3 and 6).

The total net position of the District decreased during the current fiscal year by \$9,698,761. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2024	2023
Revenues		
Property taxes, penalties and interest	\$ 6,074,532	\$ 2,961,306
Water and sewer service	1,422,927	1,010,992
Other	2,132,448	1,447,525
Total revenues	<u>9,629,907</u>	<u>5,419,823</u>
Expenses		
Current service operations	2,179,627	1,688,319
Debt interest and fees	2,183,219	1,330,780
Developer interest	1,343,724	1,933,602
Debt issuance costs	1,197,906	2,150,077
Intergovernmental	3,088,090	1,760,272
Depreciation	1,370,425	1,091,200
Total expenses	<u>11,362,991</u>	<u>9,954,250</u>
Change in net position before other item	(1,733,084)	(4,534,427)
Other items		
Transfers to other governments	(7,965,677)	(13,852,734)
Change in estimate of due to developer	<u>(84,864)</u>	<u>(84,864)</u>
Change in net position	(9,698,761)	(18,472,025)
Net position, beginning of year (2024 restated)	<u>(39,870,035)</u>	<u>(21,920,622)</u>
Net position, end of year	<u>\$ (49,568,796)</u>	<u>\$ (40,392,647)</u>

As previously noted, the District implemented GASBIG 2021-1, Question 5.1 during the current year and, as a result, has restated its beginning net position for the current fiscal year. Prior year data is not consistent with current year data due to the recognition of certain capital assets and the related accumulated depreciation at the beginning of the current fiscal year (See Notes 3 and 6).

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

The District's combined fund balances, as of July 31, 2024, were \$5,206,896, which consists of \$896,747 in the General Fund, \$4,171,222 in the Debt Service Fund and \$138,927 in the Capital Projects Fund.

***Sienna Municipal Utility District No. 6  
Management's Discussion and Analysis  
July 31, 2024***

*General Fund*

A comparative summary of the General Fund's financial position as of July 31, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 1,707,932</u>	<u>\$ 1,301,065</u>
Total liabilities	\$ 806,234	\$ 575,993
Total deferred inflows	4,951	829
Total fund balance	<u>896,747</u>	<u>724,243</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,707,932</u>	<u>\$ 1,301,065</u>

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

	2024	2023
Total revenues	\$ 3,705,427	\$ 2,518,950
Total expenditures	<u>(3,532,923)</u>	<u>(2,407,949)</u>
Revenues over expenditures	<u>\$ 172,504</u>	<u>\$ 111,001</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 because assessed values increased from prior year.
- Water, sewer and surface water revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Revenues from providing fire protection services are based on the number of connections in the District and increases as the number of connections increases.
- Tap connection fees fluctuate with homebuilding activity within the District.

***Sienna Municipal Utility District No. 6  
Management's Discussion and Analysis  
July 31, 2024***

*Debt Service Fund*

A comparative summary of the Debt Service Fund's financial position as of July 31, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 4,293,594</u>	<u>\$ 2,346,287</u>
Total liabilities	\$ 2,186	\$ 6,496
Total deferred inflows	120,186	24,485
Total fund balance	<u>4,171,222</u>	<u>2,315,306</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 4,293,594</u>	<u>\$ 2,346,287</u>

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

	2024	2023
Total revenues	\$ 5,815,806	\$ 2,881,515
Total expenditures	<u>(4,213,778)</u>	<u>(1,877,338)</u>
Revenues over expenditures	1,602,028	1,004,177
Other changes in fund balance	253,888	604,201
Net change in fund balance	<u>\$ 1,855,916</u>	<u>\$ 1,608,378</u>

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

*Capital Projects Fund*

A comparative summary of the Capital Projects Fund's financial position as of July 31, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 138,927</u>	<u>\$ 33,054</u>
Total liabilities	\$ -	\$ 45,000
Total fund balance	<u>138,927</u>	<u>(11,946)</u>
Total liabilities and fund balance	<u>\$ 138,927</u>	<u>\$ 33,054</u>

***Sienna Municipal Utility District No. 6  
Management's Discussion and Analysis  
July 31, 2024***

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

	2024	2023
Total revenues	\$ 8,851	\$ 1,722
Total expenditures	(14,784,406)	(26,933,670)
Revenues under expenditures	(14,775,555)	(26,931,948)
Other changes in fund balance	14,926,428	26,886,933
Net change in fund balance	<u>\$ 150,873</u>	<u>\$ (45,015)</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2023 Unlimited Tax Bonds and Series 2023 Unlimited Tax Road Bonds in the current year and the sale of its Series 2022 Unlimited Tax Bonds and Series 2022 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 year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$43,559 less 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 developer for the financing of the construction of capital assets within the District. Developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at July 31, 2024 and 2023, are summarized as follows:

	2024	2023
Capital assets not being depreciated		
Land and improvements	<u>\$ 2,490,330</u>	<u>\$ 1,460,703</u>
Capital assets being depreciated		
Infrastructure	57,939,991	49,103,944
Less accumulated depreciation	(3,602,536)	(2,043,403)
Depreciable capital assets, net	<u>54,337,455</u>	<u>47,060,541</u>
Capital assets, net	<u><u>\$ 56,827,785</u></u>	<u><u>\$ 48,521,244</u></u>

***Sienna Municipal Utility District No. 6  
Management's Discussion and Analysis  
July 31, 2024***

As previously noted, the District implemented GASBIG 2021-1, Question 5.1 during the current year. As a result, prior year data is not consistent with current year data due to the recognition of certain capital assets and the related accumulated depreciation at the beginning of the current fiscal year (See Notes 3 and 6).

Capital asset additions during the current year include the following:

- Water meters
- Heritage Park Drive and Water Lake Boulevard, Phase 4 – utilities
- Sienna Sections 59, 62, 63, 64, 65 – utilities
- Sienna Sections 66, 67, and Heritage Park Drive, Phase 4 – clearing and grubbing
- NE commercial site - storm sewer

Additionally, Fort Bend County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended July 31, 2024, capital assets in the amount of \$7,965,677 have been recorded as transfers to other governments in the government-wide statements.

**Long-Term Debt and Related Liabilities**

As of July 31, 2024, the District owes approximately \$56,343,906 to developer for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of \$11,841,064 for projects under construction by the developer. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At July 31, 2024 and 2023, the District had total bonded debt outstanding as shown below:

Series	2024	2023
2020 Road	\$ 5,185,000	\$ 5,345,000
2021	3,685,000	3,800,000
2021 Road	2,590,000	2,670,000
2022	14,790,000	14,790,000
2022 Road	12,885,000	12,885,000
2023	10,420,000	
2023 Road	4,845,000	
	<u>\$ 54,400,000</u>	<u>\$ 39,490,000</u>

During the current year, the District issued \$10,420,000 in unlimited tax bonds and \$4,845,000 in unlimited tax road bonds. At July 31, 2024, the District had \$317,990,000 unlimited tax bonds

***Sienna Municipal Utility District No. 6  
Management's Discussion and Analysis  
July 31, 2024***

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 \$173,600,000 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 year actual amounts for the General Fund is as follows:

	2024 Actual	2025 Budget
Total revenues	\$ 3,705,427	\$ 4,427,130
Total expenditures	(3,532,923)	(3,925,198)
Revenues over expenditures	172,504	501,932
Beginning fund balance	724,243	896,747
Ending fund balance	<u>\$ 896,747</u>	<u>\$ 1,398,679</u>

**Property Taxes**

The District's property tax base increased approximately \$216,812,000 for the 2024 tax year from \$570,772,304 to \$787,583,969. This increase was primarily due to new construction in the District and increased property values. For the 2024 tax year, the District has levied a maintenance tax rate of \$0.02 per \$100 of assessed value, a water, sewer and drainage debt service tax rate of \$0.40 per \$100 of assessed value, a contract tax debt service rate of \$0.325 of \$100 of assessed value and a road debt service tax rate of \$0.305 per \$100 of assessed value, for a total combined tax rate of \$1.05 per \$100. Tax rates for the 2023 tax year were \$0.05 per \$100 for maintenance and operations, \$0.345 per \$100 for water, sewer and drainage debt service, \$0.355 per \$100 for contract tax debt service and \$0.30 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, 2024**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 309,153	\$ 49,025	\$ 735	\$ 358,913	\$ -	\$ 358,913
Investments	897,322	4,112,857	198,192	5,208,371		5,208,371
Taxes receivable	4,951	120,186		125,137		125,137
Customer service receivables	279,579			279,579		279,579
Accrued interest receivable	1,966	12,380		14,346		14,346
Prepaid items	3,369			3,369		3,369
Internal balances	60,854	(854)	(60,000)			
Builder damages receivable	36,289			36,289		36,289
Other receivables	354			354		354
Operating reserve	114,095			114,095		114,095
Capital assets not being depreciated					2,490,330	2,490,330
Capital assets, net					54,337,455	54,337,455
Total Assets	<u>\$ 1,707,932</u>	<u>\$ 4,293,594</u>	<u>\$ 138,927</u>	<u>\$ 6,140,453</u>	<u>56,827,785</u>	<u>62,968,238</u>
<b>Liabilities</b>						
Accounts payable	\$ 649,282	\$ -	\$ -	\$ 649,282		649,282
Other payables	6,936	2,186		9,122		9,122
Customer deposits	16,425			16,425		16,425
Unearned revenue	133,591			133,591		133,591
Accrued interest payable					984,708	984,708
Due to developer					56,343,906	56,343,906
Long-term debt						
Due within one year					1,325,000	1,325,000
Due after one year					53,075,000	53,075,000
Total Liabilities	<u>806,234</u>	<u>2,186</u>	<u></u>	<u>808,420</u>	<u>111,728,614</u>	<u>112,537,034</u>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	<u>4,951</u>	<u>120,186</u>	<u></u>	<u>125,137</u>	<u>(125,137)</u>	
<b>Fund Balance/Net Position</b>						
<b>Fund Balance</b>						
Nonspendable	117,464			117,464	(117,464)	
Restricted		4,171,222	138,927	4,310,149	(4,310,149)	
Unassigned	779,283			779,283	(779,283)	
Total Fund Balance	<u>896,747</u>	<u>4,171,222</u>	<u>138,927</u>	<u>5,206,896</u>	<u>(5,206,896)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,707,932</u>	<u>\$ 4,293,594</u>	<u>\$ 138,927</u>	<u>\$ 6,140,453</u>		
<b>Net Position</b>						
Net investment in capital assets					(8,472,467)	(8,472,467)
Restricted for debt service					3,306,700	3,306,700
Unrestricted					(44,403,029)	(44,403,029)
Total Net Position					<u>\$ (49,568,796)</u>	<u>\$ (49,568,796)</u>

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 Year Ended July 31, 2024**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Water service	\$ 611,833	\$ -	\$ -	\$ 611,833	\$ -	\$ 611,833
Sewer service	811,094			811,094		811,094
Property taxes	281,266	5,627,471		5,908,737	83,718	5,992,455
Penalties and interest	31,872	34,100		65,972	16,105	82,077
Surface water fees	587,510			587,510		587,510
Tap connection and inspection	863,640			863,640		863,640
Fire protection fees	452,116			452,116		452,116
Miscellaneous	20,039	117		20,156		20,156
Investment earnings	46,057	154,118	8,851	209,026		209,026
Total Revenues	<u>3,705,427</u>	<u>5,815,806</u>	<u>8,851</u>	<u>9,530,084</u>	<u>99,823</u>	<u>9,629,907</u>
<b>Expenditures/Expenses</b>						
Current service operations						
Professional fees	125,601		107,000	232,601		232,601
Contracted services	585,388	69,007		654,395		654,395
Repairs and maintenance	528,953			528,953		528,953
Utilities	25,089			25,089		25,089
Surface water	603,892			603,892		603,892
Administrative	90,294	4,257		94,551		94,551
Other	38,640	1,446	60	40,146		40,146
Capital outlay	354,140		12,135,716	12,489,856	(12,489,856)	
Debt service						
Principal		355,000		355,000	(355,000)	
Interest and fees		1,876,904		1,876,904	306,315	2,183,219
Developer interest			1,343,724	1,343,724		1,343,724
Debt issuance costs			1,197,906	1,197,906		1,197,906
Intergovernmental						
Master District connection charges	671,212			671,212		671,212
Facilities renewal and replacement	54,085			54,085		54,085
Fire protection services	455,629			455,629		455,629
Contractual obligations		1,907,164		1,907,164		1,907,164
Depreciation					1,370,425	1,370,425
Total Expenditures/Expenses	<u>3,532,923</u>	<u>4,213,778</u>	<u>14,784,406</u>	<u>22,531,107</u>	<u>(11,168,116)</u>	<u>11,362,991</u>
<b>Revenues Over/(Under) Expenditures/Expenses</b>	172,504	1,602,028	(14,775,555)	(13,001,023)	11,267,939	(1,733,084)
<b>Other Financing Sources/(Uses)</b>						
Proceeds from sale of bonds		253,888	15,011,112	15,265,000	(15,265,000)	
Repayment of developer advances			(84,684)	(84,684)	84,684	
<b>Other Items</b>						
Transfers to other governments					(7,965,677)	(7,965,677)
<b>Net Change in Fund Balance Change in Net Position</b>	172,504	1,855,916	150,873	2,179,293	(2,179,293)	(9,698,761)
Fund Balance/Net Position						
Beginning of the year (See Note 3)	724,243	2,315,306	(11,946)	3,027,603	(42,897,638)	(39,870,035)
<b>End of the year</b>	<u>\$ 896,747</u>	<u>\$ 4,171,222</u>	<u>\$ 138,927</u>	<u>\$ 5,206,896</u>	<u>\$ (54,775,692)</u>	<u>\$ (49,568,796)</u>

See notes to basic financial statements.

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## **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 Natural Resource Conservation Commission, statutory predecessor to the Texas Commission on Environmental Quality (“TCEQ”) 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. In 2009, road powers were added to the District by Special Legislation codified as Chapter 8322, Special District Local Laws Code. 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.

### **Reporting Entity**

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

### **Government-Wide and Fund Financial Statements**

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

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

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

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

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

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water, sewer, and fire protection service fees and tap connection fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer, drainage and road facilities.

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

**Measurement Focus and Basis of Accounting**

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

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

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

**Measurement Focus and Basis of Accounting (continued)**

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

**Use of Restricted Resources**

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

**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, 2024, an allowance for uncollectible accounts was not considered necessary.

**Unbilled Service Revenues**

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

**Interfund Activity**

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

**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 that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets are not capitalized. 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 year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

**Net Position – Governmental Activities**

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

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

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

Unrestricted – resources not included in the other components.

**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 capitalized interest from the sale of bonds 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, 2024***

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

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

Total fund balance, governmental funds	\$ 5,206,896
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 60,430,321	
Less accumulated depreciation	<u>(3,602,536)</u>	
Change due to capital assets		56,827,785

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Bonds payable	(54,400,000)	
Interest payable on bonds	<u>(984,708)</u>	
Change due to long-term debt		(55,384,708)

Amounts due to the District's developers for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .	(56,343,906)
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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.	125,137
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Total net position - governmental activities	<u><u>\$ (49,568,796)</u></u>
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***Sienna Municipal Utility District No. 6***  
***Notes to Financial Statements***  
***July 31, 2024***

**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	\$ 2,179,293
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Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes and related penalties and interest.	99,823
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Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 12,489,856	
Depreciation expense	(1,370,425)	
		11,119,431

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	(15,265,000)	
Principal payments	355,000	
Interest expense accrual	(306,315)	
		(15,216,315)

The District conveys certain roads to Fort Bend County upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the <i>Statement of Activities</i> , these amounts are reported as transfers to other governments.	(7,965,677)
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Amounts repaid to the District's developer for operating advances use financial resources at the fund level, but reduce the liability in the <i>Statement of Net Position</i> .	84,684
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Change in net position of governmental activities	\$ (9,698,761)
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### **Note 3 – Implementation of New Accounting Guidance**

During the current fiscal year, the District implemented GASB Implementation Guide (“GASBIG”) 2021-1, Question 5.1, which requires the capitalization of the acquisition of a group of individual capital assets whose individual acquisition costs are less than the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. Under this new guidance, the District’s acquisition of water meters that exceeds the capitalization threshold in the aggregate should be recorded as Capital outlays instead of Contracted services in the *Statement of Revenues, Expenditures and Changes in Fund Balances*. On the government wide statements, the acquisition of water meters should not be recorded as an expense on the *Statement of Activities* but should be recorded as capital assets on the *Statement of Net Position*.

GASBIG 2021-1, Question 5.1 is required to be retroactively implemented, which means the District is required to record the acquisition of water meters that were expensed in previous fiscal years as infrastructure capital assets and to record the related accumulated depreciation at the beginning of the current fiscal year. Accordingly, the District has recorded an adjustment to recognize \$522,612 in depreciable capital assets, which were measured at net book value (i.e., cost less accumulated depreciation) as of the beginning of the current fiscal year and increased its beginning net position by the same amount. Prior year amounts in the Management’s Discussion and Analysis and supplementary schedules were not restated.

The effect of the implementation of the new accounting guidance on the District’s beginning net position is as follows:

Beginning Net Position, as reported	\$ (40,392,647)
Change due to implementation of new accounting guidance	<u>522,612</u>
Beginning Net Position, restated	<u><u>\$ (39,870,035)</u></u>

### **Note 4 – Deposits and Investments**

#### **Deposit Custodial Credit Risk**

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

***Sienna Municipal Utility District No. 6***  
***Notes to Financial Statements***  
***July 31, 2024***

**Note 4 – Deposits and Investments (continued)**

**Investments**

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

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

As of July 31, 2024, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	\$ 50,000			
	Debt Service	940,000			
		<u>990,000</u>	19%	N/A	N/A
Texas CLASS	General	847,322			
	Debt Service	3,172,857			
	Capital Projects	198,192			
		<u>4,218,371</u>	81%	AAAm	38 days
Total		<u>\$ 5,208,371</u>	<u>100%</u>		

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

***Sienna Municipal Utility District No. 6***  
***Notes to Financial Statements***  
***July 31, 2024***

**Note 4 – Deposits and Investments (continued)**

**Texas CLASS**

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

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

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

**Investment Credit and Interest Rate Risk**

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

**Note 5 – Interfund Balances and Transactions**

Amounts due to/from other funds at July 31, 2024, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 854	Debt service tax collections not remitted as of year end
General Fund	Capital Projects Fund	60,000	Bond application fees paid by the General Fund

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

***Sienna Municipal Utility District No. 6***  
***Notes to Financial Statements***  
***July 31, 2024***

**Note 6 – Capital Assets**

A summary of changes in capital assets, for the year ended July 31, 2024, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 1,460,703	\$ 1,029,627	\$ 2,490,330
Capital assets being depreciated			
Infrastructure	49,815,264	8,124,727	57,939,991
Less accumulated depreciation	(2,232,111)	(1,370,425)	(3,602,536)
Subtotal depreciable capital assets, net	47,583,153	6,754,302	54,337,455
Capital assets, net	\$ 49,043,856	\$ 7,783,929	\$ 56,827,785

Depreciation expense for the current fiscal year was \$1,370,425.

As discussed in Note 3, the District recorded an adjustment to capitalize the acquisition of certain capital assets and accumulated depreciation at the beginning of the current fiscal year. In previous years, these costs were expensed. As a result, beginning balances for infrastructure capital assets in the current fiscal year are not consistent with prior year data.

**Note 7 – Due to Developer**

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

The District's developer has also advanced funds to the District for operating advances.

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

Due to developer, beginning of year	\$ 51,798,415
Developer reimbursements	(12,135,716)
Developer funded construction and adjustments	16,765,891
Repayment of operating advances	(84,684)
Due to developer, end of year	<u>\$ 56,343,906</u>

***Sienna Municipal Utility District No. 6***  
***Notes to Financial Statements***  
***July 31, 2024***

**Note 7 – Due to Developer (continued)**

In addition, the District will owe the developer approximately \$11,841,064, 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	Percent Complete
Sienna Section 54 - utilities	\$ 1,839,556	85%
Sienna Section 54 - paving	1,658,523	9%
Sienna Section 60 - utilities	1,437,248	74%
Sienna Section 67 - paving	761,264	89%
Sienna Section 68 - utilities	1,616,312	81%
Sienna Section 69A - paving	1,211,040	86%
Sienna Section 69A - utilities	2,362,905	87%
Sienna Section 67 - utilities	954,216	90%
	<u>\$ 11,841,064</u>	

**Note 8 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 54,400,000</u>
Due within one year	<u>\$ 1,325,000</u>

***Sienna Municipal Utility District No. 6***  
***Notes to Financial Statements***  
***July 31, 2024***

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

The District's bonds payable at July 31, 2024, 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	\$ 5,185,000	\$ 5,500,000	1.60% - 3.00%	September 1, 2022 - 2045	March 1, September 1	September 1, 2026
2021	3,685,000	3,800,000	2.125% - 4.625%	September 1, 2023 - 2046	March 1, September 1	September 1, 2026
2021 Road	2,590,000	2,670,000	2.125% - 4.625%	September 1, 2023 - 2046	March 1, September 1	September 1, 2026
2022	14,790,000	14,790,000	4.00% - 6.00%	September 1, 2024 - 2047	March 1, September 1	September 1, 2028
2022 Road	12,885,000	12,885,000	4.00% - 6.00%	September 1, 2024 - 2047	March 1, September 1	September 1, 2028
2023	10,420,000	10,420,000	4.00% - 6.50%	September 1, 2024 - 2048	March 1, September 1	September 1, 2029
2023 Road	4,845,000	4,845,000	4.00% - 6.50%	September 1, 2024 - 2048	March 1, September 1	September 1, 2029
	<u>\$ 54,400,000</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, 2024, the District had \$317,990,000 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 park and recreational facilities and the refunding of such bonds; and \$173,600,000 for road improvements and the refunding of such bonds.

On October 18, 2023, the District issued its \$10,420,000 Series 2023 Unlimited Tax Bonds at a net effective interest rate of 4.828376%. Proceeds of the bonds were used (1) to reimburse the developer 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; and operating advances, (2) to pay developer interest at the net effective interest rate of the bonds, and (3) to pay capitalized interest into the Debt Service Fund.

***Sienna Municipal Utility District No. 6***  
***Notes to Financial Statements***  
***July 31, 2024***

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

On October 18, 2023, the District issued its \$4,845,000 Series 2023 Unlimited Tax Road Bonds at a net effective interest rate of 4.790812%. Proceeds of the bonds were used to reimburse developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds.

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

Bonds payable, beginning of year	\$ 39,490,000
Bonds issued	15,265,000
Bonds retired	(355,000)
Bonds payable, end of year	<u>\$ 54,400,000</u>

As of July 31, 2024, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2025	\$ 1,325,000	\$ 2,296,556	\$ 3,621,556
2026	1,415,000	2,222,492	3,637,492
2027	1,475,000	2,145,804	3,620,804
2028	1,535,000	2,072,102	3,607,102
2029	1,595,000	1,999,674	3,594,674
2030	1,670,000	1,923,819	3,593,819
2031	1,735,000	1,848,359	3,583,359
2032	1,810,000	1,773,352	3,583,352
2033	1,890,000	1,699,400	3,589,400
2034	1,970,000	1,626,666	3,596,666
2035	2,050,000	1,549,224	3,599,224
2036	2,130,000	1,468,814	3,598,814
2037	2,225,000	1,386,507	3,611,507
2038	2,315,000	1,299,035	3,614,035
2039	2,410,000	1,205,239	3,615,239
2040	2,515,000	1,105,828	3,620,828
2041	2,615,000	1,001,465	3,616,465
2042	2,735,000	891,052	3,626,052
2043	2,850,000	773,771	3,623,771
2044	2,975,000	650,471	3,625,471
2045	3,095,000	521,439	3,616,439
2046	3,230,000	385,703	3,615,703
2047	3,035,000	248,241	3,283,241
2048	2,790,000	114,237	2,904,237
2049	1,010,000	23,987	1,033,987
	<u>\$ 54,400,000</u>	<u>\$ 32,233,237</u>	<u>\$ 86,633,237</u>



***Sienna Municipal Utility District No. 6***  
***Notes to Financial Statements***  
***July 31, 2024***

**Note 9 – 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 2024 fiscal year was financed through the 2023 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, \$0.345 per \$100 for water, sewer and drainage debt service, \$0.355 per \$100 for contract tax debt service and \$0.30 per \$100 for road debt service. The resulting tax levy was \$5,993,109 on the adjusted taxable value of \$570,772,304.

Property taxes receivable, at July 31, 2024, consisted of the following:

Current year taxes receivable	\$ 97,156
Prior years taxes receivable	7,807
	<hr/>
	104,963
Penalty and interest receivable	20,174
Property taxes receivable	<hr/>
	<u>\$ 125,137</u>

**Note 10 – 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 year ended July 31, 2024, the District recorded transfers to other governments in the amount of \$7,965,677 for road facilities constructed by a developer within the District.

**Note 11 – Contracts with Sienna Regional Municipal Utility 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 Utility 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 (the “Utility 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, 2024***

**Note 11 – Contracts with Sienna Regional Municipal Utility District (continued)**

*Sienna RM Debt (continued)*

As of July 31, 2024, Sienna RM has \$23,185,000 in contract revenue bonds outstanding and the Master District's share of said bonds is \$12,695,000. Sienna RM bills the Master District in January of each year for Sienna RM's debt service payments due in May and November of that same year. During the current fiscal year, the Master District paid \$677,691 to Sienna RM for Sienna RM's 2024 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:

Year	Total
2025	\$ 681,295
2026	679,415
2027	677,085
2028	679,418
2029	681,270
2030-2034	3,393,697
2035-2039	3,393,980
2040-2044	3,393,976
2045-2048	2,715,475
	<u>\$ 16,295,611</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, 2024***

**Note 11 – Contracts with Sienna Regional Municipal Utility 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, 2024, the monthly charge is \$21.50 per connection.

**Note 12 – 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 year, the Master District issued \$18,180,000 in Contract Revenue Bonds. As of July 31, 2024, the Master District has \$76,685,000 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, 2024, 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, 2024***

**Note 12 – 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, 2024, the District has paid \$114,095 to the Master District for its share of the operating and maintenance reserve.

*Summary of Charges*

For the fiscal year ended July 31, 2024, the District incurred the following costs pursuant to contracts with the Master District and Sienna RM:

- Monthly connection fees in the amount of \$671,212;
- Monthly charges in the amount of \$54,085 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 \$455,629; and
- Contractual obligations for debt service requirements in the amount of \$1,907,164, which consists of \$1,681,018 for Master District bonds and \$226,146 for the Master District's share of Sienna RM's contract revenue bonds.

**Note 13 – Agreements with the City of Missouri City**

The developer in Sienna South (land included in Sienna MUD Nos. 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 13 – Agreements with the 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 all 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 14 – Risk Management**

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

**Note 15 – Subsequent Events**

On October 16, 2024, the District issued its \$24,375,000 Series 2024 Unlimited Tax Bonds at a net effective rate of 4.069681%. Proceeds from the bonds were used to reimburse the District's developer for infrastructure improvements in the District and to pay capitalized interest into the District's Debt Service Fund.

Additionally, on October 16, 2024, the District issued its \$14,875,000 Series 2024 Unlimited Tax Road Bonds at a net effective rate of 4.070515%. Proceeds from the bonds were used to reimburse the District's developer for road improvements in the District.

## **Required Supplementary Information**

**Sienna Municipal Utility District No. 6****Required Supplementary Information - Budgetary Comparison Schedule - General Fund****For the Year Ended July 31, 2024**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Water service	\$ 564,690	\$ 611,833	\$ 47,143
Sewer service	734,660	811,094	76,434
Property taxes	213,293	281,266	67,973
Penalties and interest	23,720	31,872	8,152
Tap connection and inspection	606,250	863,640	257,390
Fire protection fees	411,510	452,116	40,606
Surface water fees	491,074	587,510	96,436
Miscellaneous	33,120	20,039	(13,081)
Investment earnings	31,280	46,057	14,777
Total Revenues	3,109,597	3,705,427	595,830
<b>Expenditures</b>			
Current service operations			
Professional fees	124,500	125,601	(1,101)
Contracted services	516,820	585,388	(68,568)
Repairs and maintenance	437,124	528,953	(91,829)
Utilities	24,000	25,089	(1,089)
Surface water	491,074	603,892	(112,818)
Administrative	70,820	90,294	(19,474)
Other	35,280	38,640	(3,360)
Capital outlay	155,750	354,140	(198,390)
Intergovernmental			
Master District connection charges	622,744	671,212	(48,468)
Facilities renewal and replacement	48,912	54,085	(5,173)
Fire protection services	411,510	455,629	(44,119)
Total Expenditures	2,938,534	3,532,923	(594,389)
<b>Revenues Over Expenditures</b>	171,063	172,504	1,441
<b>Other Financing Sources</b>			
Internal transfers	45,000		(45,000)
<b>Net Change in Fund Balance</b>	216,063	172,504	(43,559)
<b>Fund Balance</b>			
Beginning of the year	724,243	724,243	
End of the year	\$ 940,306	\$ 896,747	\$ (43,559)



*Sienna Municipal Utility District No. 6*  
*Notes to Required Supplementary Information*  
*July 31, 2024*

**Budgets and Budgetary Accounting**

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

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## **Texas Supplementary Information**

**Sienna Municipal Utility District No. 6**  
**TSI-1. Services and Rates**  
**July 31, 2024**

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:	\$ 2.84	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 \$ 73.25 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"	783	776	x 1.0	776
1"	1,053	1,040	x 2.5	2,600
1.5"			x 5.0	
2"	31	30	x 8.0	240
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	1,870	1,849		3,801
Total Wastewater	1,787	1,774	x 1.0	1,774

See accompanying auditor's report.

***Sienna Municipal Utility District No. 6***  
***TSI-1. Services and Rates***  
***July 31, 2024***

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

Gallons purchased from Sienna Regional MUD:	<u>207,076,000</u>	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>207,076,000</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 auditor's report.

***Sienna Municipal Utility District No. 6***  
***TSI-2 General Fund Expenditures***  
***For the Year Ended July 31, 2024***

Professional fees	
Legal	\$ 85,252
Audit	16,000
Engineering	24,349
	<u>125,601</u>
Contracted services	
Bookkeeping	57,407
Operator	53,538
Garbage collection	332,502
Inspection fees	141,941
	<u>585,388</u>
Repairs and maintenance	<u>528,953</u>
Utilities	<u>25,089</u>
Surface water	<u>603,892</u>
Administrative	
Directors fees	15,691
Printing and office supplies	17,580
Insurance	3,325
Other	53,698
	<u>90,294</u>
Other	<u>38,640</u>
Capital outlay	<u>354,140</u>
Intergovernmental	
Master District connection charges	671,212
Facilities renewal and replacement	54,085
Fire protection services	455,629
	<u>1,180,926</u>
Total expenditures	<u><u>\$ 3,532,923</u></u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 6*  
*TSI-3. Investments*  
*July 31, 2024*

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
Texas CLASS	Variable	N/A	\$ 847,322	\$ -
Certificate of deposit	5.50%	10/08/24	50,000	1,966
			<u>897,322</u>	<u>1,966</u>
Debt Service				
Texas CLASS	Variable	N/A	1,727,736	
Texas CLASS	Variable	N/A	1,319,381	
Texas CLASS	Variable	N/A	125,740	
Certificate of deposit	5.23%	01/26/25	235,000	3,064
Certificate of deposit	5.50%	01/26/25	235,000	3,222
Certificate of deposit	5.00%	01/26/25	235,000	2,930
Certificate of deposit	5.40%	02/01/25	235,000	3,164
			<u>4,112,857</u>	<u>12,380</u>
Capital Projects				
Texas CLASS	Variable	N/A	21,683	
Texas CLASS	Variable	N/A	12,400	
Texas CLASS	Variable	N/A	147,296	
Texas CLASS	Variable	N/A	16,813	
			<u>198,192</u>	
Total - All Funds			<u>\$ 5,208,371</u>	<u>\$ 14,346</u>

See accompanying auditor's report.

***Sienna Municipal Utility District No. 6***  
***TSI-4. Taxes Levied and Receivable***  
***July 31, 2024***

	Maintenance Taxes	Contract Taxes	Road Debt Service Taxes
Taxes Receivable, Beginning of Year	\$ 829	\$ 6,794	\$ 7,410
Adjustments to Prior Year Tax Levy	2	(41)	(46)
Adjusted Receivable	831	6,753	7,364
2023 Original Tax Levy	261,253	1,854,895	1,567,517
Adjustments	24,133	171,347	144,800
Adjusted Tax Levy	285,386	2,026,242	1,712,317
Total to be accounted for	286,217	2,032,995	1,719,681
Tax collections:			
Current year	280,760	1,993,393	1,684,558
Prior years	506	4,135	4,510
Total Collections	281,266	1,997,528	1,689,068
Taxes Receivable, End of Year	\$ 4,951	\$ 35,467	\$ 30,613
Taxes Receivable, By Years			
2023	\$ 4,626	\$ 32,849	\$ 27,759
2022	188	1,551	1,692
2021	137	1,067	1,162
Taxes Receivable, End of Year	\$ 4,951	\$ 35,467	\$ 30,613
	2023	2022	2021
Property Valuations:			
Land	\$ 134,476,422	\$ 92,954,338	\$ 54,229,602
Improvements	580,607,822	281,236,335	100,802,118
Personal Property	1,496,003	1,115,980	575,940
Exemptions	(145,807,943)	(96,879,803)	(76,737,819)
Total Property Valuations	\$ 570,772,304	\$ 278,426,850	\$ 78,869,841
Tax Rates per \$100 Valuation:			
Maintenance tax rates	\$ 0.050	\$ 0.04	\$ 0.050
Contract tax rates	0.355	0.33	0.390
Road debt service tax rates	0.300	0.36	0.425
WSD debt service tax rates	0.345	0.32	0.185
Total Tax Rates per \$100 Valuation	\$ 1.050	\$ 1.05	\$ 1.050
Adjusted Tax Levy:	\$ 5,993,109	\$ 2,923,482	\$ 828,133
Percentage of Taxes Collected to Taxes Levied **	98.38%	99.83%	99.65%

\* 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 auditor's report.



WSD Debt Service Taxes	Totals
\$ 6,212	\$ 21,245
(569)	(654)
5,643	20,591
1,802,644	5,486,309
166,520	506,800
1,969,164	5,993,109
1,974,807	6,013,700
1,937,242	5,895,953
3,633	12,784
1,940,875	5,908,737
\$ 33,932	\$ 104,963
\$ 31,922	\$ 97,156
1,504	4,935
506	2,872
\$ 33,932	\$ 104,963
2020	
\$ 37,638,857	
78,056,958	
292,050	
(82,756,912)	
\$ 33,230,953	
\$ 0.10	
0.35	
0.60	
\$ 1.05	
\$ 348,925	
100.00%	

*Sienna Municipal Utility District No. 6*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2020 Road--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
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>\$ 5,185,000</u>	<u>\$ 1,821,455</u>	<u>\$ 7,006,455</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 6*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2021--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
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>\$ 3,685,000</u>	<u>\$ 1,076,856</u>	<u>\$ 4,761,856</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 6*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2021 Road--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
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>\$ 2,590,000</u>	<u>\$ 763,384</u>	<u>\$ 3,353,384</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 6*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2022--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 355,000	\$ 684,350	\$ 1,039,350
2026	370,000	662,600	1,032,600
2027	390,000	641,750	1,031,750
2028	405,000	621,875	1,026,875
2029	425,000	601,125	1,026,125
2030	440,000	579,500	1,019,500
2031	460,000	557,000	1,017,000
2032	485,000	533,375	1,018,375
2033	505,000	511,150	1,016,150
2034	530,000	490,450	1,020,450
2035	550,000	468,163	1,018,163
2036	575,000	444,256	1,019,256
2037	600,000	419,288	1,019,288
2038	630,000	392,363	1,022,363
2039	655,000	363,450	1,018,450
2040	685,000	333,300	1,018,300
2041	715,000	301,800	1,016,800
2042	750,000	267,900	1,017,900
2043	785,000	231,444	1,016,444
2044	820,000	193,325	1,013,325
2045	855,000	153,544	1,008,544
2046	895,000	111,980	1,006,980
2047	935,000	68,518	1,003,518
2048	975,000	23,156	998,156
	<u>\$ 14,790,000</u>	<u>\$ 9,655,662</u>	<u>\$ 24,445,662</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 6*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2022 Road--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 310,000	\$ 596,563	\$ 906,563
2026	325,000	577,513	902,513
2027	335,000	557,713	892,713
2028	355,000	538,788	893,788
2029	370,000	520,663	890,663
2030	385,000	501,788	886,788
2031	400,000	482,163	882,163
2032	420,000	461,663	881,663
2033	440,000	442,363	882,363
2034	460,000	424,363	884,363
2035	480,000	404,963	884,963
2036	500,000	384,138	884,138
2037	525,000	362,356	887,356
2038	545,000	339,619	884,619
2039	570,000	315,213	885,213
2040	600,000	288,887	888,887
2041	625,000	261,324	886,324
2042	655,000	232,524	887,524
2043	680,000	201,637	881,637
2044	715,000	168,505	883,505
2045	745,000	133,830	878,830
2046	780,000	97,612	877,612
2047	815,000	59,730	874,730
2048	850,000	20,188	870,188
	<u>\$ 12,885,000</u>	<u>\$ 8,374,106</u>	<u>\$ 21,259,106</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 6*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2023--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 200,000	\$ 501,275	\$ 701,275
2026	235,000	487,138	722,138
2027	250,000	471,375	721,375
2028	260,000	454,800	714,800
2029	270,000	437,575	707,575
2030	285,000	419,538	704,538
2031	300,000	402,775	702,775
2032	315,000	387,400	702,400
2033	330,000	371,275	701,275
2034	345,000	354,400	699,400
2035	360,000	336,775	696,775
2036	375,000	320,275	695,275
2037	395,000	304,875	699,875
2038	415,000	288,156	703,156
2039	435,000	270,094	705,094
2040	455,000	250,897	705,897
2041	475,000	230,256	705,256
2042	500,000	208,319	708,319
2043	520,000	185,369	705,369
2044	545,000	161,406	706,406
2045	575,000	135,847	710,847
2046	600,000	108,300	708,300
2047	630,000	79,087	709,087
2048	660,000	48,449	708,449
2049	690,000	16,387	706,387
	<u>\$ 10,420,000</u>	<u>\$ 7,232,043</u>	<u>\$ 17,652,043</u>

See accompanying auditor's report.

*Sienna Municipal Utility District No. 6*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2023 Road--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 95,000	\$ 226,900	\$ 321,900
2026	110,000	220,238	330,238
2027	115,000	212,925	327,925
2028	120,000	205,288	325,288
2029	125,000	197,325	322,325
2030	135,000	188,875	323,875
2031	140,000	181,688	321,688
2032	145,000	175,988	320,988
2033	155,000	169,988	324,988
2034	160,000	163,688	323,688
2035	170,000	156,981	326,981
2036	175,000	149,756	324,756
2037	185,000	142,106	327,106
2038	195,000	134,031	329,031
2039	200,000	125,388	325,388
2040	210,000	116,163	326,163
2041	220,000	106,488	326,488
2042	230,000	96,362	326,362
2043	245,000	85,674	330,674
2044	255,000	74,425	329,425
2045	265,000	62,724	327,724
2046	280,000	50,112	330,112
2047	290,000	36,574	326,574
2048	305,000	22,444	327,444
2049	320,000	7,600	327,600
	<u>\$ 4,845,000</u>	<u>\$ 3,309,731</u>	<u>\$ 8,154,731</u>

See accompanying auditor's report.



*Sienna Municipal Utility District No. 6*  
*TSI-5. Long-Term Debt Service Requirements*  
*All Bonded Debt Series--by Years*  
*July 31, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 1,325,000	\$ 2,296,556	\$ 3,621,556
2026	1,415,000	2,222,492	3,637,492
2027	1,475,000	2,145,804	3,620,804
2028	1,535,000	2,072,102	3,607,102
2029	1,595,000	1,999,674	3,594,674
2030	1,670,000	1,923,819	3,593,819
2031	1,735,000	1,848,359	3,583,359
2032	1,810,000	1,773,352	3,583,352
2033	1,890,000	1,699,400	3,589,400
2034	1,970,000	1,626,666	3,596,666
2035	2,050,000	1,549,224	3,599,224
2036	2,130,000	1,468,814	3,598,814
2037	2,225,000	1,386,507	3,611,507
2038	2,315,000	1,299,035	3,614,035
2039	2,410,000	1,205,239	3,615,239
2040	2,515,000	1,105,828	3,620,828
2041	2,615,000	1,001,465	3,616,465
2042	2,735,000	891,052	3,626,052
2043	2,850,000	773,771	3,623,771
2044	2,975,000	650,471	3,625,471
2045	3,095,000	521,439	3,616,439
2046	3,230,000	385,703	3,615,703
2047	3,035,000	248,241	3,283,241
2048	2,790,000	114,237	2,904,237
2049	1,010,000	23,987	1,033,987
	<u>\$ 54,400,000</u>	<u>\$ 32,233,237</u>	<u>\$ 86,633,237</u>

See accompanying auditor's report.

***Sienna Municipal Utility District No. 6***  
***TSI-6. Change in Long-Term Bonded Debt***  
***July 31, 2024***

	Bond Issue			
	Series 2020 Road	Series 2021	Series 2021 Road	Series 2022
Interest rate	1.60% - 3.00%	2.125% - 4.625%	2.125% - 4.625%	4.00% - 6.00%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/22 - 9/1/45	9/1/23 - 9/1/46	9/1/23 - 9/1/46	9/1/24 - 9/1/47
Beginning bonds outstanding	\$ 5,345,000	\$ 3,800,000	\$ 2,670,000	\$ 14,790,000
Bonds issued				
Bonds retired	(160,000)	(115,000)	(80,000)	
Ending bonds outstanding	<u>\$ 5,185,000</u>	<u>\$ 3,685,000</u>	<u>\$ 2,590,000</u>	<u>\$ 14,790,000</u>
Interest paid during fiscal period	<u>\$ 139,582</u>	<u>\$ 93,597</u>	<u>\$ 66,269</u>	<u>\$ 695,000</u>
Paying agent's name and city				
All Series	<u>Regions Bank, Houston, Texas</u>			
Bond Authority:	Water, Sewer and Drainage Bonds	Parks and Recreational Bonds	Road Bonds	
Amount Authorized by Voters	\$ 347,000,000	\$ 78,800,000	\$ 199,500,000	
Amount Issued	(29,010,000)		(25,900,000)	
Remaining To Be Issued	<u>\$ 317,990,000</u>	<u>\$ 78,800,000</u>	<u>\$ 173,600,000</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, 2024: \$ 4,161,882

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 3,465,329

See accompanying auditor's report.

Bond Issue			
Series 2022 Road	Series 2023	Series 2023 Road	Totals
4.00% - 6.00% 9/1; 3/1 9/1/24 - 9/1/47	4.00% - 6.50% 9/1; 3/1 9/1/24 - 9/1/48	4.00% - 6.50% 9/1; 3/1 9/1/24 - 9/1/48	
\$ 12,885,000	\$ -	\$ -	\$ 39,490,000
	10,420,000	4,845,000	15,265,000
			(355,000)
<u>\$ 12,885,000</u>	<u>\$ 10,420,000</u>	<u>\$ 4,845,000</u>	<u>\$ 54,400,000</u>
<u>\$ 605,863</u>	<u>\$ 187,595</u>	<u>\$ 84,968</u>	<u>\$ 1,872,874</u>

**Sienna Municipal Utility District No. 6****TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund  
For the Last Five Fiscal Periods**

	Amounts				
	2024	2023	2022**	2021	2020
Revenues					
Water service	\$ 611,833	\$ 440,451	\$ 314,177	\$ 64,847	\$ 49,941
Sewer service	811,094	570,541	358,435	62,812	33,720
Property taxes	281,266	110,574	40,616	32,079	178,403
Penalties and interest	31,872	23,372	11,987	1,280	329
Surface water fees	587,510	385,865	256,450	52,689	47,679
Tap connection and inspection	863,640	587,590	1,376,466	571,874	112,287
Fire protection fees	452,116	344,987	280,940	83,064	52,460
Miscellaneous	20,039	32,017	30,642	5,688	2,300
Investment earnings	46,057	23,553	1,976	346	426
Total Revenues	3,705,427	2,518,950	2,671,689	874,679	477,545
Expenditures					
Current service operations					
Professional fees	125,601	127,296	152,592	103,195	63,128
Contracted services	585,388	551,335	659,939	366,204	111,232
Repairs and maintenance	528,953	360,152	504,704	88,267	26,156
Utilities	25,089	20,094			
Surface water	603,892	391,321	260,764	53,300	47,684
Administrative	90,294	67,006	68,217	22,707	19,646
Other	38,640	30,115	40,024	23,750	7,724
Capital outlay	354,140				
Intergovernmental					
Master District connection charges	671,212	474,386	394,229	72,823	41,840
Facilities renewal and replacement	54,085	38,976	25,060	3,483	3,153
Fire protection services	455,629	347,268	281,758	82,861	52,718
Contractual obligations					60,346
Total Expenditures	3,532,923	2,407,949	2,387,287	816,590	433,627
Revenues Over Expenditures	\$ 172,504	\$ 111,001	\$ 284,402	\$ 58,089	\$ 43,918
Total Active Retail Water Connections	1,849	1,415	1,077	390	64
Total Active Retail Wastewater Connections	1,774	1,351	1,022	366	53

\*Percentage is negligible

\*\* Fifteen-month period

See accompanying auditor's report.

Percent of Fund Total Revenues				
2024	2023	2022**	2021	2020
17%	17%	12%	7%	10%
22%	23%	13%	7%	7%
8%	4%	2%	5%	38%
1%	1%	*	*	*
16%	15%	10%	6%	10%
22%	24%	51%	65%	24%
12%	14%	11%	9%	11%
1%	1%	1%	1%	*
1%	1%	*	*	*
100%	100%	100%	100%	100%
3%	5%	6%	12%	13%
16%	22%	25%	42%	23%
14%	14%	19%	10%	5%
1%	1%			
16%	16%	10%	6%	10%
2%	3%	3%	3%	4%
1%	1%	1%	3%	2%
10%				
18%	19%	15%	8%	9%
1%	2%	1%	*	1%
12%	14%	11%	9%	11%
				13%
94%	97%	91%	93%	91%
6%	3%	9%	7%	9%

***Sienna Municipal Utility District No. 6***

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

***For the Last Four Fiscal Periods***

	Amounts			
	2024	2023	2022**	2021
Revenues				
Property taxes	\$ 5,627,471	\$ 2,793,033	\$ 799,550	\$ 304,748
Penalties and interest	34,100	16,691	8,542	
Miscellaneous	117	81	240	41
Investment earnings	154,118	71,710	3,016	
Total Revenues	5,815,806	2,881,515	811,348	304,789
Expenditures				
Tax collection services	73,264	38,042	23,513	
Other	1,446	2,308	3,280	
Debt service				
Principal	355,000	155,000		
Interest and fees	1,876,904	782,346	203,587	54,183
Intergovernmental				
Contractual obligations	1,907,164	899,642	299,338	113,115
Total Expenditures	4,213,778	1,877,338	529,718	167,298
Revenues Over Expenditures	\$ 1,602,028	\$ 1,004,177	\$ 281,630	\$ 137,491

\*Percentage is negligible

\*\* Fifteen-month period

See accompanying auditor's report.

Percent of Fund Total Revenues			
2024	2023	2022**	2021
96%	97%	99%	100%
1%	1%	1%	
*	*	*	*
3%	2%	*	
100%	100%	100%	100%
1%	1%	3%	
*	*	*	
6%	5%		
32%	27%	25%	18%
33%	31%	37%	37%
72%	64%	65%	55%
28%	36%	35%	45%

***Sienna Municipal Utility District No. 6***  
***TSI-8. Board Members, Key Personnel and Consultants***  
***For the Year Ended July 31, 2024***

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 21, 2024  
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	05/24 - 05/28	\$ 2,210	\$ 322	President
Ryan Pledger	05/22 - 05/26	4,420	1,414	Vice President
Hector Handal	06/24 - 05/28	884	72	Secretary
Linda Noyd	05/22 - 05/26	2,431	219	Assistant Vice President
Brad Baird	05/22 - 05/26	3,978	850	Assistant Secretary
Christina Perry	10/20 - 06/24	1,768	138	Former Director
<b>Consultants</b>		<u>Amounts Paid</u>		
Allen Boone Humphries Robinson LLP	2004			Attorney
<i>General legal fees</i>		\$ 95,456		
<i>Bond counsel</i>		398,887		
Si Environmental, LLC	2012	1,044,231		Operator
Municipal Accounts & Consulting, L.P.	2018	68,579		Bookkeeper
Tax Tech, Inc.	2014	35,037		Tax Collector
Fort Bend Central Appraisal District	Legislation	27,974		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2020	3,945		Delinquent Tax Attorney
LJA Engineering, Inc.	2000	105,483		Engineer
McGrath & Co., PLLC	2020	32,250		Auditor
Robert W. Baird & Co. Incorporated	2015	307,811		Financial Advisor

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

See accompanying auditor's report.



**SIENNA MUNICIPAL  
UTILITY DISTRICT NO. 7  
FORT BEND COUNTY, TEXAS  
FINANCIAL REPORT  
July 31, 2024**



## Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
<b>BASIC FINANCIAL STATEMENTS</b>		
Statement of Net Position and Governmental Fund Balance Sheet		14
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance		15
Notes to Financial Statements		17
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Budgetary Comparison Schedule – General Fund		34
Notes to Required Supplementary Information		35
<b>TEXAS SUPPLEMENTARY INFORMATION</b>		
Services and Rates	TSI-1	38
General Fund Expenditures	TSI-2	40
Investments	TSI-3	N/A
Taxes Levied and Receivable	TSI-4	41
Long-Term Debt Service Requirements by Years	TSI-5	N/A
Change in Long-Term Bonded Debt	TSI-6	N/A
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	42
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	N/A
Board Members, Key Personnel and Consultants	TSI-8	44



# **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. 7  
Fort Bend County, Texas

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and the General Fund of Sienna Municipal Utility District No. 7 (the "District"), as of and for the year ended July 31, 2024, 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 the General Fund of Sienna Municipal Utility District No. 7, as of July 31, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **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. 7  
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.

*McGuire & Co, P.C.*

Houston, Texas  
November 19, 2024

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

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***Sienna Municipal Utility District No. 7  
Management's Discussion and Analysis  
July 31, 2024***

**Using this Annual Report**

Within this section of the financial report of Sienna Municipal Utility District No. 7 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended July 31, 2024. 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 Fund Balance Sheet* and the *Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance*. 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. 7  
Management's Discussion and Analysis  
July 31, 2024***

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

**Fund Financial Statements**

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

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

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

The District's net position at July 31, 2024, was negative \$2,117,946. The District's net position is negative because the District incurs debt to construct public road facilities which it conveys to Fort Bend County and because the District relies on advances from its developers to fund operating costs. A comparative summary of the District's overall financial position, as of July 31, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	\$ 47,543	\$ 2,274
Capital assets	3,252,666	259,440
Total assets	<u>3,300,209</u>	<u>261,714</u>
Current liabilities	38,192	16,711
Long-term liabilities	5,379,963	1,033,069
Total liabilities	<u>5,418,155</u>	<u>1,049,780</u>
Net position		
Net investment in capital assets	(68,029)	
Unrestricted	(2,049,917)	(788,066)
Total net position	<u>\$ (2,117,946)</u>	<u>\$ (788,066)</u>

***Sienna Municipal Utility District No. 7***  
***Management's Discussion and Analysis***  
***July 31, 2024***

The total net position of the District decreased during the current fiscal year by \$1,329,880. A comparative summary of the District's *Statement of Activities* for the current and prior fiscal year (unaudited) is as follows:

	2024	2023
Revenues		
Property taxes, penalties and interest	\$ 157,473	\$ -
Water and sewer service	4,152	
Other	19,071	461
Total revenues	<u>180,696</u>	<u>461</u>
Expenses		
Current service operations	164,372	75,307
Intergovernmental	56,128	45,786
Depreciation	68,029	
Total expenses	<u>288,529</u>	<u>121,093</u>
Change in net position before other item	(107,833)	(120,632)
Other item		
Transfers to other governments	<u>(1,222,047)</u>	<u>(27,124)</u>
Change in net position	(1,329,880)	(147,756)
Net position, beginning of year	<u>(788,066)</u>	<u>(640,310)</u>
Net position, end of year	<u>\$ (2,117,946)</u>	<u>\$ (788,066)</u>

**Financial Analysis of the District's General Fund**

The District's fund balance in the General Fund, as of July 31, 2024, was \$9,293. A comparative summary of the General Fund's financial position as of July 31, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 47,543</u>	<u>\$ 2,274</u>
Total liabilities	\$ 38,192	\$ 16,711
Total deferred inflows	58	
Total fund balance	<u>9,293</u>	<u>(14,437)</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 47,543</u>	<u>\$ 2,274</u>

***Sienna Municipal Utility District No. 7  
Management's Discussion and Analysis  
July 31, 2024***

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

	2024	2023
Total revenues	\$ 180,638	\$ 461
Total expenditures	(220,500)	(121,093)
Revenues under expenditures	(39,862)	(120,632)
Other changes in fund balance	63,592	131,086
Net change in fund balance	\$ 23,730	\$ 10,454

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, tap connection fees charged to homebuilders in the District and developer advances. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. The District levied its first maintenance tax rate during the current fiscal 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.
- Tap connection fees fluctuate with homebuilding activity within the District.
- Developers in the District advance funds to the District as needed to pay operating costs.

### **General Fund Budgetary Highlights**

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$23,730 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 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. 7  
Management's Discussion and Analysis  
July 31, 2024***

Capital assets held by the District at July 31, 2024 and 2023, are summarized as follows:

	2024	2023
Capital assets not being depreciated		
Land and improvements	\$ 259,440	\$ 259,440
Capital assets being depreciated		
Infrastructure	3,061,255	
Less accumulated depreciation	(68,029)	
Depreciable capital assets, net	2,993,226	
Capital assets, net	\$ 3,252,666	\$ 259,440

Capital asset additions during the current year include utilities to serve Sienna Sections 50A, 50B and Summerhouse Drive.

Additionally, Fort Bend County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developers are reimbursed. For the year ended July 31, 2024, capital assets in the amount of \$1,222,047 have been recorded as transfers to other governments in the government-wide statements.

### **Long-Term Debt and Related Liabilities**

As of July 31, 2024, the District owes approximately \$5,379,963 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 \$4,937,328 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers are trued up when the developers are reimbursed.

At July 31, 2024, the District had \$271,300,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$68,500,000 for parks and recreational facilities and the refunding of such bonds; and \$156,900,000 for road improvements and the refunding of such bonds.

***Sienna Municipal Utility District No. 7  
Management's Discussion and Analysis  
July 31, 2024***

**Next Year's Budget**

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

	<u>2024 Actual</u>	<u>2025 Budget</u>
Total revenues	\$ 180,638	\$ 575,735
Total expenditures	<u>(220,500)</u>	<u>(334,332)</u>
Revenues over/(under) expenditures	(39,862)	241,403
Other changes in fund balance	<u>63,592</u>	<u></u>
Net change in fund balance	23,730	241,403
Beginning fund balance	<u>(14,437)</u>	<u>9,293</u>
Ending fund balance	<u>\$ 9,293</u>	<u>\$ 250,696</u>

**Property Taxes**

The District's property tax base increased approximately \$14,878,000 for the 2024 tax year from \$14,985,484 to \$29,863,147. This increase was primarily due to new construction in the District and increased property values. For the 2024 tax year, the District has levied a maintenance tax rate of \$0.71 per \$100 of assessed value and a contract tax debt service tax rate of \$0.34 per \$100 of assessed value, for a total combined tax rate of \$1.05 per \$100 of assessed value. Tax rate for the 2023 tax year was \$1.05 per \$100 for maintenance and operations.



## **Basic Financial Statements**

***Sienna Municipal Utility District No. 7***  
***Statement of Net Position and Governmental Fund Balance Sheet***  
***July 31, 2024***

	General Fund	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash	\$ 39,831	\$ -	\$ 39,831
Taxes receivable	58		58
Customer service receivables	4,585		4,585
Prepaid items	3,069		3,069
Capital assets not being depreciated		259,440	259,440
Capital assets, net		2,993,226	2,993,226
Total Assets	<u>\$ 47,543</u>	<u>3,252,666</u>	<u>3,300,209</u>
<b>Liabilities</b>			
Accounts payable	\$ 30,728		30,728
Other payables	169		169
Customer deposits	1,600		1,600
Unearned revenue	5,695		5,695
Due to developers		5,379,963	5,379,963
Total Liabilities	<u>38,192</u>	<u>5,379,963</u>	<u>5,418,155</u>
<b>Deferred Inflows of Resources</b>			
Deferred property taxes	<u>58</u>	<u>(58)</u>	
<b>Fund Balance/Net Position</b>			
<b>Fund Balance</b>			
Nonspendable	3,069	(3,069)	
Unassigned	6,224	(6,224)	
Total Fund Balance	<u>9,293</u>	<u>(9,293)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 47,543</u>		
<b>Net Position</b>			
Net investment in capital assets		(68,029)	(68,029)
Unrestricted		(2,049,917)	(2,049,917)
Total Net Position		<u>\$ (2,117,946)</u>	<u>\$ (2,117,946)</u>

See notes to basic financial statements.

***Sienna Municipal Utility District No. 7***  
***Statement of Activities and Governmental Fund Revenues, Expenditures and***  
***Changes in Fund Balance***  
***For the Year Ended July 31, 2024***

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Water service	\$ 2,933	\$ -	\$ 2,933
Sewer service	1,219		1,219
Property taxes	157,235	58	157,293
Penalties and interest	180		180
Surface water fees	2,546		2,546
Tap connection and inspection	16,525		16,525
Total Revenues	180,638	58	180,696
<b>Expenditures/Expenses</b>			
Current service operations			
Professional fees	68,044		68,044
Contracted services	47,766		47,766
Repairs and maintenance	17,757		17,757
Surface water	1,955		1,955
Administrative	28,820		28,820
Other	30		30
Intergovernmental			
Master District connection charges	6,000		6,000
Facilities renewal and replacement	171		171
Fire protection services	427		427
Contractual obligations	49,530		49,530
Depreciation		68,029	68,029
Total Expenditures/Expenses	220,500	68,029	288,529
<b>Revenues Under Expenditures/Expenses</b>	(39,862)	(67,971)	(107,833)
<b>Other Financing Sources</b>			
Developer advances	63,592	(63,592)	
<b>Other Item</b>			
Transfers to other governments		(1,222,047)	(1,222,047)
<b>Net Change in Fund Balance</b>	23,730	(23,730)	
<b>Change in Net Position</b>		(1,329,880)	(1,329,880)
Fund Balance/Net Position			
Beginning of the year	(14,437)	(773,629)	(788,066)
<b>End of the year</b>	<u>\$ 9,293</u>	<u>\$ (2,127,239)</u>	<u>\$ (2,117,946)</u>

See notes to basic financial statements.

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

The accounting policies of Sienna Municipal Utility District No. 7 (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. 1 pursuant to an order of the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality dated October 17, 1979, under the terms and conditions of Article III, Section 52 and Article XVI, 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 18, 1979. Road powers were added to the District by Special Legislation codified as Chapter 3823, Texas Special Local Laws Code. On June 29, 2021, the District obtained approval from the TCEQ to change the name of the District to Sienna Municipal Utility District No. 7.

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

### **Reporting Entity**

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

### **Government-Wide and Fund Financial Statements**

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

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

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

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. The District uses only a General Fund to account for its operations. The District's principal financial resources are property taxes and developer advances. Expenditures include costs associated with the daily operations of the District.

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

**Measurement Focus and Basis of Accounting**

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

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

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

**Use of Restricted Resources**

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

**Prepaid Items**

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

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

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At July 31, 2024, an allowance for uncollectible accounts was not considered necessary.

**Capital Assets**

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets are not capitalized. 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 year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

**Net Position – Governmental Activities**

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

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

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

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

**Net Position – Governmental Activities (continued)**

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

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

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District does not have any restricted fund balances.

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

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

Unassigned - all other spendable amounts in the General Fund.

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



***Sienna Municipal Utility District No. 7***  
***Notes to Financial Statements***  
***July 31, 2024***

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

**Use of Estimates**

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

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

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

Total fund balance, governmental funds	\$	9,293
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 3,320,695	
Less accumulated depreciation	<u>(68,029)</u>	
Change due to capital assets		3,252,666

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> .		(5,379,963)
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Property taxes receivables have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		58
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Total net position - governmental activities	\$	<u><u>(2,117,946)</u></u>
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***Sienna Municipal Utility District No. 7***  
***Notes to Financial Statements***  
***July 31, 2024***

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

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

Net change in fund balance - total governmental funds	\$ 23,730
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes.	58
In the <i>Statement of Activities</i> , the cost of capital assets is charged to depreciation expense over the estimated useful life of the asset.	(68,029)
Amounts received from the District's developers for operating advances provide financial resources at the fund level, but are recorded as a liability in the <i>Statement of Net Position</i> .	(63,592)
The District conveys certain roads to Fort Bend County upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the <i>Statement of Activities</i> , these amounts are reported as transfers to other governments.	(1,222,047)
Change in net position of governmental activities	<u><u>\$ (1,329,880)</u></u>

**Note 3 – Implementation of New Accounting Guidance**

During the current fiscal year, the District implemented GASB Implementation Guide (“GASBIG”) 2021-1, Question 5.1, which requires the capitalization of the acquisition of a group of individual capital assets whose individual acquisition costs are less than the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. Under this new guidance, the District’s acquisition of water meters that exceeds the capitalization threshold in the aggregate should be recorded as Capital outlays instead of Contracted services in the *Statement of Revenues, Expenditures and Changes in Fund Balances*. On the government wide statements, the acquisition of water meters should not be recorded as an expense on the *Statement of Activities* but should be recorded as capital assets on the *Statement of Net Position*.

## **Note 4 – Deposits and Investments**

### **Deposit Custodial Credit Risk**

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

### **Investments**

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

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

***Sienna Municipal Utility District No. 7***  
***Notes to Financial Statements***  
***July 31, 2024***

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended July 31, 2024, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 259,440	\$ -	\$ 259,440
Capital assets being depreciated			
Infrastructure		3,061,255	3,061,255
Less accumulated depreciation		(68,029)	(68,029)
Subtotal depreciable capital assets, net		2,993,226	2,993,226
Capital assets, net	\$ 259,440	\$ 2,993,226	\$ 3,252,666

Depreciation expense for the current fiscal year was \$68,029.

**Note 6 – Due to Developer**

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

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

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

Due to developer, beginning of year	\$ 1,033,069
Developer funded construction and adjustments	4,283,302
Operating advances	63,592
Due to developer, end of year	<u>\$ 5,379,963</u>

***Sienna Municipal Utility District No. 7***  
***Notes to Financial Statements***  
***July 31, 2024***

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

In addition, the District will owe the developer approximately \$4,937,328, 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	Percent Complete
Sienna Section 50A - paving	\$ 855,202	93%
Sienna Section 50C - utilities	522,374	55%
Sienna Lakes Drive, phase 1 - utilities	3,559,752	0%
	<u>\$ 4,937,328</u>	

**Note 7 – Long-Term Debt**

At July 31, 2024, the District had \$271,300,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$68,500,000 for park and recreational facilities and the refunding of such bonds; and \$156,900,000 for road improvements and the refunding of such bonds.

**Note 8 – Property Taxes**

On November 3, 2009, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value and a road maintenance tax limited to \$0.25 per \$100 of assessed value.

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 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$1.05 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$157,347 on the adjusted taxable value of \$14,985,484.

**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 and are recorded as transfers to other governments on the *Statement of Activities* upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended July 31, 2024, the District recorded transfers to other governments in the amount of \$1,222,047 for road facilities constructed by a developer within the District.

**Note 10 – Contracts with Sienna Regional Municipal Utility 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 (the “Utility 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 Municipal Utility District No. 7***  
***Notes to Financial Statements***  
***July 31, 2024***

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

*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 prorated 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.

As of July 31, 2024, Sienna RM has \$23,185,000 in contract revenue bonds outstanding and the Master District's share of said bonds is \$12,695,000. Sienna RM bills the Master District in January of each year for Sienna RM's debt service payments due in May and November of that same year. During the current fiscal year, the Master District paid \$677,691 to Sienna RM for Sienna RM's 2024 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>
2025	\$ 681,295
2026	679,415
2027	677,085
2028	679,418
2029	681,270
2030-2034	3,393,697
2035-2039	3,393,980
2040-2044	3,393,976
2045-2048	2,715,475
	<u>\$ 16,295,611</u>

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

*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 6 (“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.

*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, 2024, 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. 6, 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.



***Sienna Municipal Utility District No. 7***  
***Notes to Financial Statements***  
***July 31, 2024***

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

*Master District Debt*

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional facilities needed to provide services to all Participants. The District shall contribute to the regional payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all Participants. During the current year, the Master District issued \$18,180,000 in Contract Revenue Bonds. As of July 31, 2024, the Master District has \$76,685,000 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, 2024, the District has not paid any such connection charges.

*Monthly Connection Charges 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.

*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, 2024, the District has not paid the Master District for its share of the operating and maintenance reserve.

*Summary of Charges*

For the fiscal year ended July 31, 2024, the District incurred the following costs pursuant to contracts with the Master District and Sienna RM:

- Monthly connection fees in the amount of \$6,000;
- Monthly charges in the amount of \$171 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 \$427; and
- Contractual obligations for debt service requirements in the amount of \$49,530, which consists of \$43,657 for Master District bonds and \$5,873 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 Sienna MUD Nos. 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.

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 all Participants are annexed. In addition, without an agreement in place, no Participant may be annexed by the City of Missouri City without consent; however, under Texas Law, the City of Missouri City cannot annex territory within a district unless it annexes the entire district. If a Participant is annexed, the City of Missouri City will assume the Participant’s assets and obligations (including the Participant’s obligation under the Master District Contract) and dissolve the Participant within ninety (90) days.

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

*Sienna Municipal Utility District No. 7*  
*Notes to Financial Statements*  
*July 31, 2024*

**Note 13 – Risk Management**

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

**Note 14 – Economic Dependency**

The District is dependent upon its developers for operating advances. The developers continue to own a substantial portion of the taxable property within the District. The developers' willingness to make future operating advances and/or to pay property taxes will directly affect the District's ability to meet its future obligations.

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## **Required Supplementary Information**

***Sienna Municipal Utility District No. 7***

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

***For the Year Ended July 31, 2024***

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Water service	\$ 3,600	\$ 2,933	\$ (667)
Sewer service	6,700	1,219	(5,481)
Property taxes	101,740	157,235	55,495
Penalties and interest		180	180
Tap connection and inspection	61,200	16,525	(44,675)
Fire protection fees	860		(860)
Surface water fees	4,256	2,546	(1,710)
Total Revenues	178,356	180,638	2,282
<b>Expenditures</b>			
Current service operations			
Professional fees	52,500	68,044	(15,544)
Contracted services	63,800	47,766	16,034
Repairs and maintenance	5,000	17,757	(12,757)
Surface water	3,870	1,955	1,915
Administrative	13,560	28,820	(15,260)
Other	3,736	30	3,706
Intergovernmental			
Master District connection charges	6,236	6,000	236
Facilities renewal and replacement	386	171	215
Fire protection services	860	427	433
Contractual obligations	54,000	49,530	4,470
Total Expenditures	203,948	220,500	(16,552)
<b>Revenues Under Expenditures</b>	(25,592)	(39,862)	(14,270)
<b>Other Financing Sources</b>			
Developer advances	25,592	63,592	38,000
<b>Net Change in Fund Balance</b>		23,730	23,730
<b>Fund Balance</b>			
Beginning of the year	(14,437)	(14,437)	
<b>End of the year</b>	<u>\$ (14,437)</u>	<u>\$ 9,293</u>	<u>\$ 23,730</u>

*Sienna Municipal Utility District No. 7*  
*Notes to Required Supplementary Information*  
*July 31, 2024*

**Budgets and Budgetary Accounting**

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

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## **Texas Supplementary Information**

**Sienna Municipal Utility District No. 7**

**TSI-1. Services and Rates**

**July 31, 2024**

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:	\$ 2.84	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 \$ 73.25 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"	1	1	x 1.0	1
1"	9	9	x 2.5	23
1.5"			x 5.0	
2"	1	1	x 8.0	8
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	11	11		32
Total Wastewater	10	10	x 1.0	10

See accompanying auditor's report.

***Sienna Municipal Utility District No. 7***  
***TSI-1. Services and Rates***  
***July 31, 2024***

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

Gallons purchased from Sienna Regional MUD:	<u>1,251,000</u>	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>1,251,000</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 auditor's report.

***Sienna Municipal Utility District No. 7***  
***TSI-2 General Fund Expenditures***  
***For the Year Ended July 31, 2024***

Professional fees	
Legal	\$ 56,824
Engineering	11,220
	<u>68,044</u>
Contracted services	
Bookkeeping	25,194
Operator	348
Inspection fees	11,068
Tax collection fees	11,156
	<u>47,766</u>
Repairs and maintenance	<u>17,757</u>
Surface water	<u>1,955</u>
Administrative	
Directors fees	11,934
Printing and office supplies	1,504
Other	15,382
	<u>28,820</u>
Other	<u>30</u>
Intergovernmental	
Master District connection charges	6,000
Facilities renewal and replacement	171
Fire protection services	427
Contractual obligations	49,530
	<u>56,128</u>
Total expenditures	<u><u>\$ 220,500</u></u>

See accompanying auditor's report.

***Sienna Municipal Utility District No. 7***  
***TSI-4. Taxes Levied and Receivable***  
***July 31, 2024***

	Maintenance Taxes
2023 Original Tax Levy	\$ 71,479
Adjustments	85,868
Adjusted Tax Levy	157,347
Tax collections:	
Current year	157,289
Taxes Receivable, End of Year	\$ 58
Taxes Receivable, By Years	
2023	\$ 58
	2023
Property Valuations:	
Land	\$ 14,976,990
Personal Property	180,186
Exemptions	(171,692)
Total Property Valuations	\$ 14,985,484
Tax Rates per \$100 Valuation:	
Maintenance tax rates	\$ 1.05
Adjusted Tax Levy:	\$ 157,347
Percentage of Taxes Collected to Taxes Levied **	99.96%

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 3, 2009

\* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on November 3, 2009

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

See accompanying auditor's report.

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

	Amounts				
	2024	2023**	2022**	2021**	2020**
Revenues					
Water service	\$ 2,933	\$ -	\$ -	\$ -	\$ -
Sewer service	1,219				
Property taxes	157,235				
Penalties and interest	180				
Surface water fees	2,546				
Tap connection and inspection	16,525				
Investment earnings		461		18	53
Total Revenues	180,638	461		18	53
Expenditures					
Current service operations					
Professional fees	68,044	36,342	23,709	29,106	10,695
Contracted services	47,766	18,581	9,646	9,125	6,780
Repairs and maintenance	17,757				
Surface water	1,955				
Administrative	28,820	14,408	7,177	6,496	2,120
Other	30	5,976	2,357	3,488	1,650
Intergovernmental					
Master District connection charges	6,000				
Facilities renewal and replacement	171				
Fire protection services	427				
Contractual obligations	49,530	45,786	62,962	48,041	55,167
Total Expenditures	220,500	121,093	105,851	96,256	76,412
Revenues Under Expenditures	\$ (39,862)	\$ (120,632)	\$ (105,851)	\$ (96,238)	\$ (76,359)
Total Active Retail Water Connections	11	N/A	N/A	N/A	N/A
Total Active Retail Wastewater Connections	10	N/A	N/A	N/A	N/A

\*Percentage is negligible

\*\* Unaudited

See accompanying auditor's report.

Percent of Fund Total Revenues				
2024	2023**	2022**	2021**	2020**
2%	-%	-%	-%	-%
1%				
87%				
*				
1%				
9%				
	-		-	-
100%	-	-	-	-
38%	-	-	-	-
26%	-	-	-	-
10%				
1%				
16%	-	-	-	-
*	-	-	-	-
3%				
*				
*				
27%	-	-	-	-
121%	-	-	-	-
(21%)	-	-	-	-

***Sienna Municipal Utility District No. 7***  
***TSI-8. Board Members, Key Personnel and Consultants***  
***For the Year Ended July 31, 2024***

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600 Houston, TX 77027  
District Business Telephone Number: (713) 800-8069  
Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): May 21, 2024  
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>				
Robert Wempe	06/22 - 05/26	\$ 2,431	\$ -	President
Michael Winkler	05/22 - 05/26	1,989		Vice President
Carlotta Baird	05/24 - 05/28	2,652	204	Secretary
Matthew Brollier	05/24 - 05/28	2,210		Assistant Vice President
Nikki-Jean Owen	05/22 - 05/26	2,652		Assistant Secretary
<b>Consultants</b>				
		Amounts Paid		
Allen Boone Humphries Robinson LLP <i>General legal fees</i>	2004	\$ 70,484		Attorney
Si Environmental, LLC	2012	14,478		Operator
Municipal Accounts & Consulting, L.P.	2018	28,116		Bookkeeper
Tax Tech, Inc.	2018	11,600		Tax Collector
Fort Bend Central Appraisal District	Legislation			Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2023			Delinquent Tax Attorney
LJA Engineering, Inc.	2000	11,015		Engineer
McGrath & Co., PLLC	2024			Auditor
Robert W. Baird & Co. Incorporated	2015			Financial Advisor

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

See accompanying auditor's report.



**APPENDIX C**  
**MASTER DISTRICT CONTRACT**

CONTRACT FOR CONSTRUCTION,  
FINANCING, OPERATION, AND MAINTENANCE OF SIENNA SOUTH  
REGIONAL FACILITIES

CONTRACT FOR CONSTRUCTION,  
FINANCING, OPERATION, AND MAINTENANCE OF SIENNA SOUTH  
REGIONAL FACILITIES

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS AND INTERPRETATIONS .....	3
Section 1.1:    Definitions.....	3
Section 1.2:    Table of Contents, etc .....	13
Section 1.3:    Interpretations .....	13
ARTICLE II MASTER DISTRICT FACILITIES TO SERVE DISTRICT.....	14
Section 2.1:    General Statement.....	14
Section 2.5:    Initiating Construction of Master District Facilities.....	14
Section 2.6:    Determination of Master District Facilities .....	16
Section 2.7:    Preparation of Plans.....	16
Section 2.8:    Construction of Master District Facilities .....	16
Section 2.8:    Construction of Master District Facilities .....	17
Section 2.9:    Access.....	17
Section 2.10:   Conditions to Construction of Master District Facilities.....	17
Section 2.11:   Regulatory Permits .....	18
Section 2.12:   Ownership of Master District Facilities Constructed .....	18
Section 2.13:   Right of District to Construct Master District's Water, Sewer, and Drainage Facilities and Road Facilities .....	18
Section 2.14:   Reservation of Capacity .....	20
ARTICLE IIA FINANCING OF MASTER DISTRICT FACILITIES .....	20
Section 2A.1:   Master District's Water, Sewer, and Drainage Facilities .....	20
Section 2A.3:   Method of Calculating the Road Construction Charge and the Park Construction Charge.....	21
Section 2A.4:   Payment of Road Construction Charges and Park Construction Charges to the Master District.....	21
Section 2A.5:   Master District Road Construction Charges and Park Construction Charges .....	22
Section 2A.1:   Master District's Water, Sewer, and Drainage Facilities .....	22
ARTICLE III ISSUANCE OF BONDS BY THE MASTER DISTRICT .....	22
Section 3.1:    General.....	22
Section 3.1:    General.....	22
Section 3.2:    Authority to Issue Bonds .....	23
Section 3.3:    Notice of Intent to Issue Bonds .....	23
Section 3.4:    Failure to Institute Arbitration.....	24
Section 3.5:    Terms of the Bonds .....	24
Section 3.6:    Sale of Bonds to Texas Water Development Board.....	26
Section 3.7:    Alternative Funds .....	26
ARTICLE IV ELECTION, TAXES, AND PAYMENTS .....	26
Section 4.1:    District Election .....	26

Section 4.2:	Duty to Levy Tax.....	27
Section 4.3:	Calculation and Payment of Debt Service.....	28
Section 4.4:	Unconditional Obligation to Pay .....	29
Section 4.5:	Master District Tax Election Required .....	29
ARTICLE V MONTHLY CHARGES FOR SERVICE PROVIDED.....		30
Section 5.1:	General Statement.....	30
Section 5.2:	Payments by the District.....	31
Section 5.3:	Budgets .....	31
Section 5.4:	Initial Funding of Operation and Maintenance Reserve.....	32
Section 5.5:	Billing.....	33
Section 5.6:	Delinquency in Payment.....	33
Section 5.7:	Covenant to Maintain Sufficient Income .....	34
ARTICLE VI FUNDS, RECORDS, AUDITS AND INSURANCE .....		34
Section 6.1:	Creation of Funds.....	34
Section 6.2:	Security of Funds .....	34
Section 6.3:	General Fund .....	34
Section 6.4:	Debt Service Fund .....	34
Section 6.5:	Construction Fund .....	35
Section 6.6:	Road Construction Fund.....	35
Section 6.7:	Park Construction Fund.....	35
Section 6.8:	Investments.....	36
Section 6.9:	Earnings from Investments.....	36
Section 6.10:	Accounts, Records and Accounting Records .....	36
Section 6.11:	Audit .....	36
Section 6.8:	Insurance .....	36
Section 6.9:	Insurance Proceeds .....	37
ARTICLE VII QUANTITY, MEASUREMENT, POINT OF ENTRY AND TITLE .....		37
Section 7.1:	Quantity of Waste Discharged .....	37
Section 7.2:	Quantity of Water and Pressure .....	37
Section 7.3:	Quantity of Storm Water Discharged .....	38
Section 7.4:	Point of Entry and Title .....	38
ARTICLE VIII REGULATION OF QUALITY OF WATER DELIVERED AND WASTES RECEIVED .....		39
Section 8.1:	Quality of Water Delivered .....	39
Section 8.2:	Regulation of Quality of Waste.....	39
Section 8.3:	Admissible Waste.....	39
Section 8.4:	Industrial and Commercial Wastes .....	39
Section 8.5:	Testing of Waste .....	40
ARTICLE IX OPERATION OF MASTER DISTRICT FACILITIES .....		41
Section 9.1:	Standard of Operation.....	41
Section 9.2:	Independent Contractor.....	41
Section 9.3:	Regulatory Action.....	41
Section 9.4:	Maintenance of Master District Facilities .....	41

ARTICLE X DISTRICT'S SANITARY SEWAGE COLLECTION SYSTEM AND WATER DELIVERY SYSTEM..... 41

Section 10.1:	Construction and Maintenance of District's Sanitary-Sewage Collection System, District's Water Delivery System, and District's Storm Sewer System .....	41
---------------	---	----

Section 10.2:	Plumbing Code.....	42
---------------	--------------------	----

Section 10.3:	Operator .....	43
---------------	----------------	----

ARTICLE XI MISCELLANEOUS PROVISIONS..... 43

Section 11.1:	Term.....	43
---------------	-----------	----

Section 11.2:	Renewal of Contract .....	43
---------------	---------------------------	----

Section 11.3:	Contracts by Master District With Other Participants .....	43
---------------	--	----

Section 11.4:	Approvals by District or Master District .....	44
---------------	--	----

Section 11.5:	District's Consent to Sewer and Water Lines.....	44
---------------	--	----

Section 11.6:	Force Majeure .....	44
---------------	---------------------	----

Section 11.7:	Remedies upon Default.....	45
---------------	----------------------------	----

Section 11.8:	No Additional Waiver Implied.....	45
---------------	-----------------------------------	----

Section 11.9:	Addresses and Notice.....	45
---------------	---------------------------	----

Section 11.10:	Modification.....	45
----------------	-------------------	----

Section 11.11:	Assignability .....	46
----------------	---------------------	----

Section 11.12:	Parties in Interest.....	46
----------------	--------------------------	----

Section 11.13:	Severability.....	46
----------------	-------------------	----

Section 11.14:	Master District as Participant.....	46
----------------	-------------------------------------	----

Section 11.15:	Sale or Encumbrance of Master District Facilities .....	46
----------------	---	----

Section 11.16:	Arbitration.....	47
----------------	------------------	----

Section 11.17:	Modification to Service Area.....	47
----------------	-----------------------------------	----

Section 11.18:	Merger.....	48
----------------	-------------	----

EXHIBITS:

A - Service Area

CONTRACT FOR CONSTRUCTION,  
FINANCING, OPERATION, AND MAINTENANCE OF SIENNA SOUTH REGIONAL  
FACILITIES

THE STATE OF TEXAS           §  
   §  
COUNTY OF FORT BEND       §

This Contract (hereinafter called "this Contract") made and entered into as of the 13<sup>th</sup> day of May, 2013, by and between:

(1) SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 5 (hereinafter called the "Master District"), a conservation and reclamation district, a body politic and corporate and a governmental agency of the State of Texas, organized as a municipal utility district by Order of the Texas Commission on Environmental Quality and Article XVI, Section 59, and Article III, Section 52, Texas Constitution, and operating under the provisions of Chapters 49 and 54, Texas Water Code, as amended; and

(2) SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 5 (hereinafter called the "District"), a conservation and reclamation district, a body politic and corporate and a governmental agency of the State of Texas, organized as a municipal utility district by Order of the Texas Commission on Environmental Quality and Article XVI, Section 59, and Article III, Section 52, Texas Constitution, and operating under the provisions of Chapters 49 and 54, Texas Water Code, as amended.

WITNESSETH:

RECITALS

The Master District is one of several conservation and reclamation districts that have been or will hereafter be created and organized in the Brazos River Basin in the extraterritorial jurisdiction of Missouri City, Texas (the "City"), Texas to provide water, sewage, drainage, park, road, and other facilities and services. The Master District, as set forth herein, has assumed the responsibility of becoming the coordinating district to provide the water supply and distribution, sewage collection and treatment services, road utility services park services, fire protection services and other services and facilities permitted by law for the area, as described by metes and bounds on **Exhibit "A"** (the "Service Area"), in order to encourage regionalization and to avoid duplication of lines and facilities in the Service Area.

The Master District and the District have agreed to contract in such a manner that the Master District will be able to provide, as herein described, to all districts

within the Service Area the Master District Facilities, as defined herein, and service through such facilities, and other facilities and services as permitted by law. The Master District intends to serve the entire Service Area, and provide such services in such a manner as to promote the orderly development of the Service Area. The Master District intends to enter into contracts substantially identical to this Contract with all municipal utility districts located within the Service Area, and shall undertake to perform its obligations and exercise its rights under all such contracts in a manner which does not unfairly discriminate against the District.

The Board of Directors of the District has determined to contract with the Master District to provide, receive, and transport its water supply through the Master District's Water Supply System and Water Delivery System and to transport, treat or cause to be treated, and dispose of or cause to be disposed of all waste collected by the District's Sanitary Sewage Collection System. The Master District and the District are authorized to enter into this contract pursuant to Texas Water Code, as now or hereafter amended. The Master District and District are authorized to enter into this contract pursuant to Texas Water Code, Chapters 30, 49, and 54, as now or hereafter amended.

The Master District has completed or will complete all of the necessary preliminary engineering studies to determine the location of water plants and sewage treatment plants, and the location and size of trunk lines and mains to provide for the delivery of water, the transportation of wastes, and the collection of water, and has completed preliminary layouts for the Water Supply System, the Master District's Water Delivery System, the Master District's Sanitary Sewage Collection System, the Waste Disposal System, the Master District's Park Facilities, and the Master District's Road Facilities. These plans are available in the office of the Master District's engineer and constitute the Master District Facilities plans until such time as these plans are amended by the Master District. The Master District intends to enter into a Utility Services Agreement with Sienna Plantation Municipal Utility District No. 1 ("MUD No. 1") whereby MUD No. 1 will assume ownership and operation of the Master District Water Supply System, Water Delivery System, the Master District Sanitary Sewage Collection System, and the Master District Permanent Waste Disposal System. The Master District will also enter into a Maintenance Agreement with Sienna Plantation Levee Improvement District (the "LID") whereby the LID will own and maintain any regional stormwater facilities constructed by the Master District. The Master District will be a member of the City's Groundwater Reduction Program.

The Master District will own and operate the Interim Waste Disposal System. In addition, the parties intend for the Master District's Road Facilities to be conveyed to Fort Bend County for ownership and operation until such time as the Districts are annexed by the City.

## AGREEMENT

For and in consideration of the mutual promises, covenants, obligations and benefits in this Contract, the Master District and the District contract and agree as follows:

### ARTICLE I

#### DEFINITIONS AND INTERPRETATIONS

Section 1.1: Definitions. Unless the context requires otherwise, and in addition to the terms defined above, the following terms and phrases used in this Contract shall have the meanings set out below:

(A) The term "Authorized Investments" shall mean all investments which the District is authorized to make by the laws of the State of Texas currently existing and as may exist during the term of this Contract.

(B) The term "Capital Costs" shall include, with respect to any of the Master District Facilities, all costs attributable to acquisition or construction; the cost of constructing, acquiring, leasing, equipping, modernizing, improving, and upgrading; the cost of the acquisition of interests in real property and easements and permits; the cost of preparing plans, specifications, and inspecting construction; the cost of acquiring necessary permits; the fiscal, legal, advertising, engineering, and material testing costs; interest on sums advanced to or on behalf of the Master District by developers, Participants, or other persons to finance the foregoing; and all other costs and expenses relating to the foregoing.

(C) The term "Certified Appraised Value" means the appraised value subject to taxation as certified by the Fort Bend Central Appraisal District (or any successor as provided by law which provides such services) each year during the term of this Contract, plus an amount equal to the total values exempted from current year taxation by a Participant (1) by virtue of any optional exemption or special appraisal or valuation granted or adopted by a Participant, and (2) by virtue of a landowner claiming any optional exemption or special appraisal or valuation due to the use of the land for agricultural, open-space, timberland, or other similar uses, as such values are shown on the records of the Fort Bend Central Appraisal District, whether such optional exemption or special appraisal or valuation is provided by law now or in the future.

(D) The term "Commercial Connection" means any connection other than a Residential Connection.

(E) The term "Commercial Waste" means the liquid and water-carried waste discharged from commercial processes or any other non-domestic



processes (as distinct from domestic sewage from commercial establishments) and from industries identified in the Standard Industrial Classification Manual, Office of Management and Budget, 1987, as now and hereafter amended or supplemented, under any category other than "Division D -- Manufacturing," and such other waste as the Master District deems appropriate (other than domestic sewage).

(F) The term "Commission" means the Texas Commission on Environmental Quality, or any successor or successors exercising any of its duties and functions.

(G) The term "Connection" means a structure, unit, or tap which has water and/or sanitary sewer facilities connected to the District's Water System and/or the District's Sanitary Sewage System. One Connection is deemed to be the equivalent of a Single Family Residential Connection and uses 455 gallons per day of Potable Water and discharges 320 gallons per day of Sewage or as required by the TCEQ; or an Irrigation Connection as defined herein.

(H) The term "Debt Service Fund" means the fund so designated which the Master District is required to create pursuant to Sections 6.1 and 6.4 of this Contract.

(I) The term "Debt Service Requirements" means (a) the principal, interest, and redemption requirements (whether optional or mandatory) of the Master District Bonds issued in accordance with the provisions of Article III; (b) charges and expenses of paying agents, registrars, and trustees utilized in connection with such bonds; and (c) all amounts required to establish and maintain funds established under the resolution(s) or indenture(s) of trust authorizing the issuance of Master District Bonds.

(J) The term "District" is defined on page 1 hereof and shall include any other municipal corporation, public body or other public agency at any time succeeding to the property and principal rights, powers, and obligations of the District and, where appropriate, means the Board of Directors or governing body of the District or any successor municipal corporation, public body, or public agency.

(K) The term "District's Pro Rata Share" means the percentage determined by the following formula:

$$\frac{\text{District's Certified Appraised Value}}{\text{Cumulative total of the Certified Appraised Value of all Participants (including the District and Master District)}} = \text{District's Pro Rata Share}$$

(L) The term "District's Sanitary Sewage Collection System" means the sanitary sewage collection system constructed or acquired or to be constructed or acquired by or on behalf of the District, including the sanitary sewers (but excluding storm sewers), manholes, intercepting sewers, lift stations, pumping works, and all other plants, works and equipment within and without the District for the collection and transportation of Waste to the Master District's Sanitary Sewage Collection System, together with all extensions thereof and additions thereto.

(M) The term "District's Storm Sewer System" means all or any part of the drainage facilities comprising the storm sewer system constructed or acquired or to be constructed or acquired by or on behalf of the District, including all facilities within and without the District for the collection, detention, storage, and transportation of storm waters to the Master District's Storm Sewer System, together with all extensions thereof and additions thereto.

(N) The term "District's Park System" means the park and recreational facilities now owned or to be constructed or acquired by the District, including all equipment and related facilities inside and outside the District.

(O) The term "District's Water Delivery System" means all or any part of the equipment constructed or acquired or to be constructed or acquired by or on behalf of the District to receive water from the Master District's Water Delivery System, including water mains, trunks, pumping works, realty, and permit rights for the delivery of Potable Water to each Single Family Residential Connection or Commercial Connection. If, pursuant to Section 8.6, the Master District authorizes the District to construct Reuse Water Facilities, then the term also includes Reuse Water Facilities internal to the District that serve only development within the District.

(P) The term "General Fund" shall mean the fund so designated which the Master District is required to create pursuant to the provisions of Sections 6.1 and 6.3 of this Contract.

(Q) The term "Industrial Waste" means the liquid and water-carried waste from industries identified in the Standard Industrial Classification Manual, Office of Management and Budget, 1987, as now or hereafter amended or supplemented, under the category "Division D -- Manufacturing," and such other similar waste which may be harmful to the Waste Disposal System or cause excessive treatment costs or be deemed industrial waste by any Regulatory Requirements.

(R) The term "Infiltration Water" means water which leaks into a public sanitary sewer system.

(S) The term "Interim Waste Disposal Facilities" means the .6 mgd interim package plant(s) (or expanded if approved by the City) leased or purchased by the Master District located in the Service Area to serve the Districts.

(T) The term "Irrigation Connection" means a connection serving an assembly of component parts that is permanently installed for the controlled distribution and conservation of water to irrigate any type of landscape vegetation in any location, and/or to reduce dust or control erosion. This term does not include a system that is used on or by an agricultural operation as defined by Texas Agricultural Code section 251.002.

(U) The term "MUD No. 1 Facilities" means the Master District's Sanitary Sewage Collection System, Master District's Storm Sewer System, Master District's Water Delivery System, Water Supply System and Permanent Waste Disposal System hereafter conveyed by the Master District to MUD No. 1 pursuant to the Master District Utility Agreement. The term does not include (i) the Master District Interim Waste Disposal Facilities; or (ii) Reuse Water Facilities.

(V) The term "Maintenance Agreement" means the Maintenance Agreement between the Master District and the LID that provides for the ownership and operation by the LID of the Master District Storm Sewer System and any other facilities for stormwater detention.

(W) The term "Master District Bonds" means, collectively, the Master District Water, Sewer, and Drainage Bonds, the Master District Park Bonds, the Master District Fire Bonds and the Master District Road Bonds.

(X) The term "Master District Facilities" means the Master District's Sanitary Sewage Collection System, the Master District's Storm Sewer System, the Master District's Water Delivery System, the Water Supply System, the Waste Disposal System; the Master District's Park Facilities, the Master District's Road

Facilities, the Master District Fire Facilities, and such other facilities the Master District is permitted by law to provide, the plans for all of which may be amended from time to time by the Master District.

(Y) The term "Master District Fire Bonds" means bonds or other evidences of indebtedness authorized under the Constitution and laws of the State of Texas, particularly Section 59 of Article XVI, Constitution of Texas, issued by or on behalf of the Master District which, together with the interest thereon, are to be paid from payments to be made pursuant to this Contract and other similar contracts and which have been issued to acquire funds to design, acquire, construct, lease, equip, modernize, repair, improve or complete the Master District Fire Facilities or any enlargements, expansions, repairs or upgrades thereof or modifications thereto which are necessary to meet any future Regulatory Requirements of any agency having jurisdiction thereof; and bonds issued to refund or refinance any such bonds or other evidences of indebtedness issued by or on behalf of the Master District.

(Z) The term "Master District Fire Facilities" means the fire department substation facility and equipment to be constructed pursuant to the Development Agreement to serve the Sienna Central and Sienna South Service Areas and Chapter 49 the Water Code.

(AA) The term "Master District Park Bonds" means bonds or other evidences of indebtedness authorized under the Constitution and laws of the State of Texas, particularly Section 59 of Article XVI, Constitution of Texas, issued by or on behalf of the Master District which, together with the interest thereon, are to be paid from payments to be made pursuant to this Contract and other similar contracts and which have been issued to acquire funds to design, acquire, construct, lease, equip, modernize, repair, improve or complete the Master District's Park Facilities or any enlargements, expansions, repairs or upgrades thereof or modifications thereto which are necessary to meet any future Regulatory Requirements of any agency having jurisdiction thereof; and bonds issued to refund or refinance any such bonds or other evidences of indebtedness issued by or on behalf of the Master District.

(BB) The term "Master District's Park Facilities" means the park and recreational facilities constructed or acquired or to be constructed or acquired by or on behalf of the Master District (including, without limitation, parks, greenbelts, recreational equipment, benches, landscaping, amenity portions of detention ponds, amenity lakes, amenity ditches or creeks, fountains, ball fields, irrigation, fencing, groundwater wells used for lake filling purposes, trails, and related appurtenances and facilities, save and except internal facilities which serve only development within the Master District).

(CC) The term "Master District Road Bonds" means bonds or other evidences of indebtedness authorized under the Constitution and laws of the State of Texas, particularly Section 52 of Article III, Constitution of Texas, issued by or on behalf of the Master District which, together with the interest thereon, are to be paid from payments to be made pursuant to this Contract and other similar contracts and which have been issued to acquire funds to design, acquire, construct, lease, equip, modernize, repair, improve or complete the Master District's Road Facilities or any enlargements, expansions, repairs or upgrades thereof or modifications thereto which are necessary to meet any future Regulatory Requirements of any agency having jurisdiction thereof; and bonds issued to refund or refinance any such bonds or other evidences of indebtedness issued by or on behalf of the Master District.

(DD) The term "Master District's Road Facilities" means the macadamized, graveled, or paved roads, or improvements, including storm drainage, in aid of those roads, as permitted by Art. III, Section 52, Texas Constitution, that serve the Service Area constructed or acquired or to be constructed or acquired by or on behalf of the Master District.

(EE) The term "Master District's Sanitary Sewage Collection System" means the sanitary sewage collection system constructed or acquired or to be constructed or acquired by or on behalf of the Master District including the trunk or main sanitary sewers (but excluding storm sewers), manholes, intercepting sewers, lift stations, pumping works and all other plants, works, and equipment within and without the Master District for the collection and transportation of Waste of the Participants to the Waste Disposal System, together with all extensions, enlargements, and modifications thereof and additions thereto, save and except internal facilities which serve only development within the Master District. The Master District's Sanitary Sewage Collection System includes any appurtenances or facilities used in connection therewith, such as laboratories, water quality monitoring stations, and similar equipment and facilities.

(FF) The term "Master District's Storm Sewer System" means all or any part of the drainage facilities for the collection and conveyance of storm waters from the Participants under this Contract or similar contracts, constructed or acquired or to be constructed or acquired by or on behalf of the Master District, within or without the Master District, together with extensions thereof and additions thereto, save and except internal facilities which serve only development within the Master District.

(GG) The term "Master District's Water Delivery System" means all or any part of the equipment for the delivery of Potable Water to Participants under this Contract or similar contracts, constructed or acquired or to be constructed or acquired by or on behalf of the Master District, including water mains and

trunks, pumping works and storage facilities, together with extensions thereof and additions thereto, save and except internal facilities which serve only development within the Master District. The term also includes Reuse Water Facilities.

(HH) The term "Master District Water, Sewer, and Drainage Bonds" means bonds or other evidences of indebtedness authorized under the Constitution and laws of the State of Texas, particularly Section 59 of Article XVI, Constitution of Texas, issued by or on behalf of the Master District which, together with the interest thereon, are to be paid from payments to be made pursuant to this Contract and other similar contracts and which have been issued to acquire funds to design, acquire, construct, lease, equip, modernize, repair, improve or complete the Master District's Water, Sewer, and Drainage Facilities or any enlargements, expansions, repairs or upgrades thereof or modifications thereto which are necessary to meet any future Regulatory Requirements of any agency having jurisdiction thereof; and bonds issued to refund or refinance any such bonds or other evidences of indebtedness issued by or on behalf of the Master District.

(II) The term "Master District's Water, Sewer, and Drainage Facilities" means, collectively, the Master District's Sanitary Sewage Collection System, the Master District's Storm Sewer System, the Master District's Water Delivery System, the Water Supply System, and the Waste Disposal System.

(JJ) The term "Monthly Charges" means the rates, fees, charges, surcharges, tariffs, and related terms and conditions established by the Master District from time to time for Services pursuant to Article V of this Contract.

(KK) The term "Operation and Maintenance Expenses" means all costs and expenses (excluding depreciation) incurred in or allocable to the operation and maintenance of the Master District Facilities, including, without limitation, wages and salaries, chemicals, the purchase and carrying of stores, materials, and supplies, measuring meters, power, supervision, expenses of directors' meetings attributable to performing the duties of the Master District under this Contract, engineering, testing, audits of all Master District funds, waste disposal charges or assessments, claims, insurance for property damage and tortious or contractual liability, contractual payments to persons for water (including surface water), water treatment, or sewage treatment services (including, without limitation, contractual payments for principal, interest, and redemption price on bonds issued by other persons for the purpose of acquiring facilities to provide water (including surface water), water treatment, or sewage treatment services to the Master District, which bonds may be issued at any rate or rates of interest authorized by the issuer of said bonds, provided that the net effective interest rate on any issue or series of said bonds shall not exceed the maximum legal limit

in effect at the time of issuance of each such issue or series); or for the operation and maintenance of the Master District Facilities, and all other items and expenses of a like or different nature reasonably required or desirable for the efficient maintenance and operation of the Master District Facilities in full compliance with all Regulatory Requirements and the performance of the provisions of this Contract; repairs and replacements of damaged, worn-out or obsolete parts; improvements and betterments to maintain or to cause to be maintained the Master District Facilities in proper operation to render adequate service and to comply fully with all Regulatory Requirements; the legal liability of the Master District to pay money arising from an arbitration award or court decision creating a judgment against the Master District related to the construction, acquisition, operation, maintenance, and financing of the Master District Facilities pursuant to this Contract; and the general and administrative expenses of the Master District allocable to the Master District Facilities.

(LL) The term "Park Construction Charge" means the payment made by each Participant, including the District and the Master District, of its pro rata share of the Master District's then estimated Capital Costs of the Master District's Park Facilities. Calculation of the Park Connection Charge is provided for in Section 2A.3 of this Contract.

(MM) The term "Park Construction Fund" means the fund so designated which the Master District is required to create pursuant to the provisions of Sections 6.1 and 6.7 of this Contract.

(NN) The term "Participant" means any district which is included in the Service Area, including the District and the Master District itself, which is served by the Master District Facilities.

(OO) The term "Person" means any individual, public or private corporation, district, authority, political subdivision or other agency or entity of the State of Texas or the United States of America; the State of Texas; the United States of America; any incorporated MUD No. 1, town or village, whether operating under general law or under its home-rule charter; and any co-partnership, association, firm, trust, estate or any other entity whatsoever.

(PP) The term "Potable Water" shall mean water that meets federal and state standards for consumption by humans.

(QQ) The term "Projected Total Connections" means the total number of Commercial Connections and Residential Connections expected to be connected to the District's Water Supply System once all construction and development in the District is complete.

(RR) The term "Regulatory Requirements" means the requirements and provisions of any state or federal law, and any permits, rules, orders, or regulations issued or adopted from time to time by any state, federal, or other regulatory authority having jurisdiction concerning drinking water standards, water quality standards, Sewage, or the collection, treatment, and discharge of Waste, wastewater or effluent, or otherwise having jurisdiction over the Master District Facilities, including without limitation, jurisdiction obtained by virtue of the acceptance of grants by the Master District or others to finance Capital Costs of the Master District Facilities.

(SS) The term "Reserve" means an operation and maintenance reserve in the General Fund equivalent to three (3) months of Operation and Maintenance Expenses, which the Master District is required to establish and maintain pursuant to Section 5.1.

(TT) The term "Residential Connection" means a structure designed for single family residential use which has sanitary conveniences and which is connected to the District's Water Supply System and/or Sanitary Sewage Collection System.

(UU) The term "Reuse Water" means Waste that has been treated to a quality suitable for a beneficial use (for example, without limitation, for irrigation or filling of lakes).

(VV) The term "Reuse Water Facilities" means lines and facilities (including, without limitation, storage tanks, pumps, wetwells, and pressurization tanks) to store, pressurize, convey, and/or deliver Reuse Water. The term also includes any facilities (including, without limitation, filtration devices or equipment) used to treat any Reuse Water after the Reuse Water: (i) is removed from the Master District's Sanitary Sewer System, and/or (ii) leaves any waste disposal system.

(WW) The term "Road Construction Charge" means the payment made by each Participant, including the District and the Master District, of its Pro Rata Share of the Master District's then estimated Capital Costs of the Master District's Road Facilities. Calculation of the Road Construction Charge is provided for in Section 2A.3 of this Contract.

(XX) The term "Road Construction Fund" means the fund so designated which the Master District is required to create pursuant to the provisions of Sections 6.1 and 6.6 of this Contract.



(YY) The term "Service Area" means that territory or area depicted and outlined on **Exhibit "A"** hereto, unless modified pursuant to Section 11.17 hereof.

(ZZ) The term "Services" means any or all of the water supply and delivery, sanitary sewage collection and disposal, storm water drainage and detention services, road services, and park services furnished or made available by the Master District Facilities including supply, treatment, and transportation of Potable Water and Reuse Water, collection, transportation, treatment, and disposal of Waste, the collection, detention, transportation, and drainage of storm waters, the provision of park services, road services, and any other services permitted by law.

(AAA)The term "Sewage" means the liquid and water-carried waste discharged from sanitary conveniences of dwellings and buildings connected to a public sanitary sewer system.

(BBB) The term "Single Family Residential Connection" means a structure designed for residential use by a single family unit and which has sanitary facilities which are or will be connected to the District's Water Supply System and/or Sanitary Sewage Collection system.

(CCC) The term "Utility Agreement" means that certain contract between the Master District and MUD No. 1 that provides for the financing, construction and operation of the water and wastewater facilities, to serve the Participants.

(DDD) The term "Waste" means Sewage, Commercial Waste, and Industrial Waste collected by a public sanitary sewer system, together with such Infiltration Water as may be present.

(EEE) The term "Permanent Waste Disposal System" means all or any part of disposal system(s) or disposal facilities whether or not physically interconnected, now owned or to be constructed or acquired or provided by the Master District or MUD No. 1 for treating and disposing of Waste collected by the Sanitary Sewage Collection System(s) of the Master District, the District and/or any other Person, a diversion line or lines constructed to transport Waste, or facilities and any interest in real estate, and any permit rights acquired in connection with such disposal systems or facilities; together with such extensions, enlargements and modifications as may be required in the future or as may be necessary to comply with any present or future Regulatory Requirements; all or any part of any disposal system or systems (whether or not on such site or physically interconnected) from which Services are or will be furnished or made available to or by the Master District and/or to the District (or to the District and/or other customers), including any appurtenances or facilities

used in connection therewith, such as laboratories, water quality monitoring stations, and similar equipment and facilities; and further includes all or any part of any contract rights of the Master District under contracts between the Master District and other Persons for Services.

(FFF) The term "Waste Disposal System" means the Interim Waste Disposal Facilities and the Permanent Waste Disposal System.

(GGG) The term "Water, Sewer, and Drainage Construction Fund" means the fund so designated which the Master District is required to create pursuant to Sections 6.1 and 6.5 of the Contract.

(HHH) The term "Water Supply System" means all or any part of the water wells and equipment and surface water conveyance and treatment facilities for producing Potable Water which are constructed or acquired or are to be constructed or acquired by or on behalf of the Master District to provide Potable Water to the Participants, and further includes any appurtenances or facilities used in connection therewith, including reservoirs, water treatment facilities, contract rights, water rights, permit rights, interests in realty, and all storage facilities, including elevated storage tanks.

Section 1.2: Table of Contents, etc. The table of contents, titles and headings of the articles and sections of this Contract have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Contract or any provision hereof or in ascertaining intent, if any question of intent should arise. Unless the context otherwise requires, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

Section 1.3: Interpretations. This Contract and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of this Contract. The parties agree that this Contract shall not be construed in favor of or against either party on the basis that the party did or did not author the Contract. Nothing in this Contract shall be construed to violate any state or federal statutory provision or any provision of the state or federal Constitutions and all acts done pursuant to this Contract shall be performed in such manner as to conform thereto whether expressly provided or not.

## ARTICLE II

### MASTER DISTRICT FACILITIES TO SERVE DISTRICT

Section 2.1: General Statement. Subject to the provisions hereof, the Master District plans to acquire, construct, and extend the Master District's Facilities in stages to meet the needs of a continually expanding population within the District and other areas within the Service Area. The Master District plans to cause the Master District's Water, Sewer, and Drainage Facilities (except the Interim Waste Disposal Facilities) and the Master District's Park Facilities to be conveyed to MUD No. 1 for MUD No. 1 to own, operate and maintain such facilities to serve the Service Area. The Master District plans to cause the Master District's Road Facilities to be conveyed to Fort Bend County to own, operate and maintain such roads. The Master District intends to own and maintain the Master District Park Facilities until such time as the Districts are annexed by the City. Notwithstanding any provisions of this Agreement to the contrary, the Master District, in its sole discretion, may determine whether or when to design, construct, or acquire any of the Master District's Park Facilities or the Master District's Road Facilities and the method of financing therefor.

The Master District intends to finance the Capital Costs of the Master District Water, Sewer and Drainage Facilities, the Master District Fire Facilities, the Master District Park Facilities and Master District Road Facilities. The Master District also intends to pay the Capital Costs of the Master District's Park Facilities from Park Construction Charges financed by each Participant to the Master District.

Section 2.2: Utility Agreements. The Master District has or will enter into a Utility Agreement with MUD No. 1 whereby MUD No. 1 will own and operate the water and permanent wastewater facilities in the Service Area and provide water supply and permanent wastewater treatment to land in the Service Area. MUD No. 1 is not expected to own or operate the Master District's Park Facilities, the Master District's Road Facilities, the Interim Waste Disposal Facilities, or the Reuse Water Facilities. The provisions of this Contract that relate to the operation and maintenance of MUD No. 1 Facilities shall only be effective: (i) upon a default by MUD No. 1 of its obligation to operate the MUD No. 1 Facilities and the Master District's assumption of that obligation; (ii) if MUD No. 1 has not accepted for ownership, or otherwise does not own, any portion of the MUD No. 1 Facilities; and/or (iii) if the Utility Agreement is amended to provide that the MUD No. 1 Facilities will not be conveyed to MUD No. 1.

Section 2.3: Initiating Construction of Master District Facilities. The Master District shall initiate the construction of Master District Facilities to meet anticipated needs of the Participants. Whenever the District desires, from time to time to construct, extend, or expand the District's Sanitary Sewage Collection System, the District's Storm Sewer System, or the District's Water Delivery System in such a manner as will require the Master District to construct, extend, or expand the Master District Facilities, or when

proposed development within the District requires the construction, extension, or expansion of Master District Facilities, the District shall so inform the Master District in writing. Extension of Master District Road Facilities shall be in conformance with the City's Traffic Impact Analyses. Upon receipt of such request and subject to the availability of funds to provide sufficient capacity in the Master District Facilities, the Master District is obligated to construct, or cause to be constructed, the Master District Facilities necessary to meet the District's request within a reasonable period of time considering the type of Master District Facilities required. In any such instance when the Master District is unable to provide the requested facilities at the time needed by the District, the Master District shall make arrangements for interim facilities, provided funds are available. The District will provide the Master District with such information as may be reasonably required by the Master District to determine the facilities or services that are needed to meet the District's requests. Without limiting the generality of such information as the Master District may require, the District agrees to supply the Master District with information concerning:

(A) The existing number and types of connections to the District's Water Delivery System, the District's Storm Sewer System, and the District's Sanitary Sewage Collection System;

(B) The number, type, and location of connections expected to be added to the District's Water Delivery System and the District's Sanitary Sewage Collection System;

(C) The nature of land use in the area to be served by the District's Water Delivery System, the District's Storm Sewer System, and the District's Sanitary Sewage Collection System;

(D) The capacity in the Waste Disposal System which the District estimates will be necessary to meet the District's requirements, expressed in average daily flow in gallons per minute, peak daily flow in gallons per minute, and peak hourly flow of Waste in gallons per minute which the District will discharge into the Waste Disposal System;

(E) The quantity of water needed from the Water Supply System, expressed in average daily flow in gallons per minute and peak hourly flow in gallons per minute;

(F) Specific information regarding any commercial or industrial uses of water or discharges which the District anticipates;

(G) Copies of all recorded and preliminary subdivision plats not already furnished;

(H) The District's projection as to the rate and type of development within the District as a whole and in any areas outside the District to be served by the District; and

(I) Such other information as the Master District may reasonably request.

Section 2.4: Determination of Master District Facilities. After receiving the information provided in Section 2.3, above, and consulting with the District, the Master District shall promptly determine and advise the District as to what Master District Facilities will be required to meet the Master District's obligation to satisfy the requests of the District and the estimated costs of said Master District Facilities. With the prior written approval of the Master District, the District may undertake to design and construct certain Master District Facilities that shall be conveyed to the Master District, as set out in Section 2.12.

The District recognizes that the Master District Facilities are designed to serve all Participants within the Service Area. It is specifically understood and agreed that the Master District's determination of what Master District Facilities are required and the Master District's determination of the cost of construction of Master District Facilities will be based on sound engineering and economic practices with particular emphasis on the obligation of the Master District to proceed on a timely basis with the construction of Master District Facilities necessary to meet the needs of all Participants and to avoid duplication of facilities. The information required in Section 2.3, above, shall be submitted by the District to the Master District far enough in advance of the District's bond application and engineering reports to the Commission so that the Master District's determinations with regard to required Master District Facilities can be utilized in said bond application and engineering reports. The District shall notify the Master District in writing each time the District intends to submit a bond application and engineering report to the Commission or any other agency having jurisdiction. Upon request, the District will provide a copy of such application to the Master District. The Master District will bear all costs of making such copy.

Section 2.5: Preparation of Plans. If the Master District determines that it must incur Capital Costs to satisfy the request of the District, the Master District shall determine what Master District Facilities are required and shall promptly direct its engineers to prepare plans and specifications. However if the Permanent Waste Disposal System is required, the Master District shall proceed in accordance with Section 2.7 below.

Section 2.6: Construction of Master District Facilities. For all Master District Facilities other than the Permanent Waste Disposal System, if the Master District will be constructing Master District Facilities to meet the requests of Participants, the Master District shall, subject to the availability of sufficient funds to pay the estimated Capital

Costs of the Master District Facilities, follow all procedures with regard to contract advertisement, bidding, and award as the Master District is required by law to follow. If after receiving bids or proposals, the Master District is satisfied with the bids or proposals received, the Master District shall award a contract for the construction of the Master District Facilities and shall then proceed to construct such Master District Facilities promptly following the receipt of sufficient funds to pay the estimated Capital Costs of the Master District Facilities. If the Master District is not satisfied with the bids or proposals received, it shall promptly take other bids or proposals.

Section 2.7: Construction of Permanent Waste Disposal System. To achieve certain benefits and economies of regionalization, the parties agree that MUD No. 1 will design, construct, own, and operate the Permanent Waste Disposal System. The Master District will make the determination as to what facilities are necessary to satisfy its obligation to the District and for development within the Service Area in accordance with Sec. 2.4 above. Once the Master District makes such a determination, it will notify the MUD No. 1 engineer to begin design of the Permanent Waste Disposal System in accordance with the Utility Agreement. If MUD No. 1 cannot fulfill its obligation to construct the Permanent Waste Disposal System as part of the Utility Agreement, the Master District has the right to design, acquire, construct or expand the Permanent Waste Disposal System as needed to satisfy the Master District's obligations to the District as stated in this Agreement.

Section 2.8: Conveyance of MUD No. 1 Facilities. Upon transfer of the MUD No. 1 Facilities to MUD No. 1, MUD No. 1 shall be the owner of the MUD No. 1 Facilities, including all related appurtenances, sites, rights-of-way, easements, and all enlargements, extensions, or improvements thereto; and MUD No. 1 (and not the Master District) shall be responsible for operation and maintenance of same (unless MUD No. 1 defaults in its obligation to operate same and the Master District assumes such obligation).

Section 2.9: Access. The Master District shall allow the District's representatives to have access at all times to construction in progress of Master District Facilities to serve the District and to make such inspections thereof as may be deemed necessary or desirable. The District shall also have full access to all of the Master District's contracts, books and records relating to the construction of such Master District Facilities.

Section 2.10: Conditions to Construction of Master District Facilities. It is expressly agreed and understood that any obligation on the part of the Master District to purchase, construct, improve, or enlarge Master District Facilities for the District or to cause Master District Facilities to be acquired, constructed, improved, or enlarged for the District shall, in addition to any conditions specified elsewhere in this Contract, be subject to (a) the Master District's ability to obtain or cause to be obtained all permits and licenses required to construct and operate the Master District Facilities; (b) the availability of sufficient funds to advertise, bid, award, and contract as the Master

District is required by law to follow; and (c) a determination by the Master District that the facilities at issue are regional in nature and are accordingly properly considered Master District Facilities.

Section 2.11: Regulatory Permits. If any Master District Facilities constructed under Article II require the acquisition of, or an amendment to, any permit or order issued by any regulatory agency, the Master District shall (subject to any necessary approvals or consents from the MUD No. 1) immediately make and pursue, or cause to be made and pursued, such applications and take such lawful actions as may be necessary to obtain such amendments or new permits. The District agrees to cooperate with the Master District in any way reasonably necessary in applying for, pursuing, and obtaining such amendments or new permits.

Section 2.12: Ownership of Master District Facilities Constructed. As between the parties, it is expressly agreed that the Master District shall be the owner of the Master District Facilities constructed or acquired by or on behalf of the Master District under this Article (except the Permanent Waste Disposal System), including all related appurtenances, sites, rights-of-way, easements, and all enlargements, extensions, or improvements thereto. Upon transfer of any of the Master District Facilities to MUD No. 1, MUD No. 1 shall be the owner of the transferred Master District Facilities, including all related appurtenances, sites, rights-of-way, easements, and all enlargements, extensions, or improvements thereto.

Notwithstanding any other provision of this Contract, no connection shall be made or authorized to be made by the District or its operator to any Master District Facilities, regardless of whether or not such Master District Facilities have been conveyed to the MUD No. 1, without the prior written approval of: (i) the Master District's engineer, and (ii) the Master District's operator, if the Master District is then operating the Master District's Water Delivery System, [ the Master District's Storm Sewer System], and the Master District's Sanitary Sewage Collection System.

Section 2.13: Right of District to Construct Master District's Water, Sewer, and Drainage Facilities and Road Facilities. Pursuant to and subject to the terms of this Contract, the Master District is under an obligation to acquire, construct, or expand the Master District's Water, Sewer, and Drainage Facilities and Master District's Road Facilities necessary to provide Services to the District. Failure on the part of the Master District to respond in a timely manner could result in considerable damages to the District. In the event the Master District fails to meet its obligations to provide the Master District's Water, Sewer, and Drainage Facilities or Master District's Road Facilities, as required by this Contract, the District shall have the right to design, acquire, construct, or expand the Master District's Water, Sewer, and Drainage Facilities or Master District's Road Facilities needed to provide service to it and convey the Master District's Water, Sewer, and Drainage Facilities and Road Facilities to the Master District in consideration of payment for the actual reasonable and necessary Capital

Costs by the Master District. The Master District shall be under an obligation to pay for and accept the conveyance of the Master District's Water, Sewer, and Drainage Facilities and Road Facilities only if:

(A) The Master District's Water, Sewer, and Drainage Facilities and Road Facilities are approved, designed, and constructed in accordance with applicable Regulatory Requirements;

(B) The plans and specifications for the Master District's Water, Sewer, and Drainage Facilities and Road Facilities are reviewed and approved by the Master District prior to the construction of the Master District's Water, Sewer, and Drainage Facilities and Road Facilities. The Master District must approve or disapprove the plans within 45 days after such plans and specifications are submitted to the Master District, and the Master District's approval may not thereafter be withdrawn. The Master District further agrees not to unreasonably withhold its approval. The Master District may delegate responsibility for such review and approval to its engineer or other agent or employee.

(C) Concerning the Master District's Water, Sewer, and Drainage Facilities, adequate capacity is available in the Waste Disposal System and the Water Supply System;

(D) As-built drawings of the Master District's Water, Sewer, and Drainage Facilities and Road Facilities conveyed are delivered to the Master District;

(E) The engineers for the District certify to the Master District that the Master District's Water, Sewer, and Drainage Facilities and Road Facilities to be conveyed have been completed in accordance with the plans and specifications and were constructed under full-time inspection;

(F) The District agrees to assign to the Master District, on or before the first anniversary of the completion and acceptance of the Master District's Water, Sewer, and Drainage Facilities by the District, all manufacturers' and contractors' warranties on the Master District's Water, Sewer, and Drainage Facilities;

(G) The Master District's Water, Sewer, and Drainage Facilities are conveyed to the Master District or Fort Bend County, as applicable, free and clear of all liens and encumbrances;

(H) The Master District's Water, Sewer, and Drainage Facilities are conveyed to the Master District or Fort Bend County, as applicable, by instruments of transfer and conveyance with the approval of the attorneys for the Master District, which approval shall not be unreasonably withheld; and



(I) The District agrees by appropriate instrument to be responsible for any extraordinary maintenance or repairs to the Master District's Water, Sewer, and Drainage Facilities for a period of one (1) year after the Master District's Water, Sewer, and Drainage Facilities are completed and accepted by the District from the contractor.

The Master District shall value the Master District's Water, Sewer, and Drainage Facilities constructed by the District and shall pay to the District an amount equal to the Capital Costs expended or incurred for the acquisition and construction of the Master District's Water, Sewer, and Drainage Facilities. The Master District reserves the right to require a construction audit to ascertain the actual Capital Costs of the Master District's Water, Sewer, and Drainage Facilities proposed to be conveyed to the Master District. Notwithstanding the foregoing, the District reserves the right to pursue legal remedies against any other Participant, or any contractor or subcontractor who engages in an artifice or manipulation to artificially establish the prices for the construction of any of the Master District's Water, Sewer, and Drainage Facilities. Upon failure of the District to pursue such remedies, the Master District shall have the right to pursue such remedies.

Section 2.14: Reservation of Capacity. The Master District has adopted or shall adopt, and may from time to time amend, written policies to reserve and allocate capacity in some or all Master District Water, Sewer, and Drainage Facilities on a fair and equitable basis between the District and other Participants. After adoption of such policies, the District shall be provided a copy. The District agrees that it will not take any action to obtain or use, or attempt to obtain or use, capacity in the Master District Water, Sewer, and Drainage Facilities in excess of what has been reserved to the District pursuant such Master District policies, regardless of whether or not the applicable Master District Water, Sewer, and Drainage Facilities have been conveyed to MUD No. 1.

Section 2.15: Fire Department and Fire-Fighting Activities. The Master District and the District have developed and adopted a fire plan as approved by the TCEQ. MUD No. 1 has entered into an agreement with the City whereby the City will design and construct Fire Station No. 5, and MUD No. 1 will advance funds necessary to pay for such fire station and acquisition of such equipment. The Master District on behalf of the District has contributed each District's pro rata share of the Master District Fire Facilities.

## ARTICLE IIA

### FINANCING OF MASTER DISTRICT FACILITIES

Section 2A.1: Master District's Water, Sewer, and Drainage Facilities. The Master District intends to finance the Capital Costs of the Master District's Water, Sewer

and Drainage Facilities through the issuance of its Master District Water, Sewer, and Drainage Bonds pursuant to this Contract.

Section 2A.2: Master District's Road Facilities and Master District's Park Facilities. The Master District, in its sole discretion, may determine to finance the Capital Costs of the Master District's Road Facilities or the Master District's Park Facilities either through: (i) the issuance of its Master District Road Bonds or Master District Park Bonds, respectively, or (ii) the charge and collection of Road Construction Charges or Park Construction Charges, respectively, financed and paid by each Participant. The Master District shall inform each Participant of its determinations made pursuant to the sentence above.

Section 2A.3: Method of Calculating the Road Construction Charge and the Park Construction Charge. If the Master District determines to finance the Capital Costs of the Master District's Road Facilities or the Master District's Park Facilities through the charge and collection of Road Construction Charges or Park Construction Charges, respectively, then the Road Construction Charge and the Park Construction Charge is to be computed from time to time on the basis of the then estimated total Capital Costs of providing the Master District's Road Facilities or the Master District's Park Facilities, respectively, for the Service Area minus the payments which have been previously received from the Participants as Road Construction Charges and Park Construction Charges, respectively, and dividing the result by the number of estimated total Connections to be constructed within the Service Area minus the number of Connections that have previously paid Road Construction Charges and Park Construction Charges, respectively, to the Master District. The Master District shall compute the Road Construction Charge and the Park Construction Charge and disclose all figures used in its computations to the District. All such figures shall be prepared from the best evidence available to the Master District. The Master District reserves the right to provide, from time to time, for an automatic escalator (which may be, without limitation, the Engineering News Record Construction Cost Index) to be applied to a base Road Construction Charge or Park Construction Charge established as of any particular date, which escalator may remain in effect until the next computation. The Master District may periodically recompute the Road Construction Charge or the Park Construction Charge based on changes in Capital Costs, land plans, or any other relevant factors. In no event, however, shall the District be required to issue bonds to pay Road Construction Charges or Park Construction Charges paid by the District under this Contract in excess of any applicable legal limit. Any Road Construction Charges or Park Construction Charges not able to be paid from bond proceeds shall be paid from other legally available funds of the District.

Section 2A.4: Payment of Road Construction Charges and Park Construction Charges to the Master District. If the Master District determines to finance the Capital Costs of the Master District's Road Facilities or the Master District's Park Facilities through the charge and collection of Road Construction Charges or Park Construction

Charges, respectively, then the District shall satisfy the Road Construction Charges and the Park Construction Charges either by payment of money at the rate in effect on the date of such payment or by the transfer to the Master District of portions of the Master District's Road Facilities or the Master District's Park Facilities, respectively, equal in value to the Road Construction Charge or the Park Construction Charge, respectively, then in effect on the date such transfer is accepted by the Master District multiplied by the number of Connections being acquired by the District. Any money paid to the Master District by the District of Road Construction Charges shall be deposited in the Road Construction Fund. Any money paid to the Master District by the District of Park Construction Charges shall be deposited in the Park Construction Fund. Any Road Construction Charges and Park Construction Charges calculated according to Section 2A.3 shall be paid by the District to the Master District at the time reservations of capacity in the Master District Facilities are requested by the District for a specific number of Connections. The Road Construction Charges and Park Construction Charges must be paid by the District to the Master District before any new Connection within the District to be served by the Master District Facilities will be authorized. The Master District may allow the District to delay its payment of Road Construction Charges and Park Construction Charges to the Master District until after the District has sufficient District bond funds available for such purposes.

Section 2A.5: Master District Road Construction Charges and Park Construction Charges. The Master District in its capacity as a Participant shall have the same rights and obligations as other Participants and shall be obligated to pay the Road Construction Charges and the Park Construction Charges on the same basis as any other Participant.

Section 2A.6: Master District's Fire Facilities. The Master District intends to finance the Capital Costs of the Master District's Fire Facilities through the issuance of its Master District Fire Bonds pursuant to this Contract.

Section 2A.7: Financing Alternative. By amendment to this Contract duly approved by the Master District and the District, the District may be authorized to finance any of the Master District Facilities. The Master District and the District agree that in the event of such an amendment, no election shall be required to approve the amendment and the Contract, as amended shall remain in full force and effect.

### ARTICLE III

#### ISSUANCE OF BONDS BY THE MASTER DISTRICT

Section 3.1: General. To the fullest extent currently or hereafter allowed by law, the Master District is authorized to issue contract revenue bonds sufficient, as determined solely by the Master District, to complete acquisition and construction of the Master District Facilities as needed to serve all districts in the Service Area;

provided, however that: (i) the aggregate amount of Master District Water, Sewer, and Drainage Bonds shall not exceed \$441,800,000; (ii) the aggregate amount of Master District Road Bonds shall not exceed \$249,500,000; (iii) the aggregate amount of Master District Park Bonds shall not exceed \$218,300,000; and (iv) the aggregate amount of Master District Fire Bonds shall not exceed \$32,800,000. Any increase in the amount of bonds authorized to be issued by the Master District pursuant to "(i)," "(ii)," "(iii)" or "(iv)" of the previous sentence shall require the written approval of all Participants and the approval of an amendment to this Contract by the voters at an election held by each Participant.

Section 3.2: Authority to Issue Bonds. Subject to Section 3.1 above, the Master District shall have the power, without any approval by or consent of the District or any other Participant, to issue from time to time (subject to obtaining the opinion of the Attorney General approving such bonds and obtaining any necessary approvals of the Commission for the sale of such bonds) its Master District Water, Sewer, and Drainage Bonds, its Master District Road Bonds, its Master District Fire Bonds and its Master District Park Bonds, all as the Board of Directors of the Master District shall determine to be necessary or desirable to obtain funds:

- (A) To pay all Capital Costs to acquire, construct, improve, enlarge, extend, or repair the Master District Facilities, in order to serve the District and other Participants;
- (B) To pay Operation and Maintenance Expenses during construction and the initial operating period;
- (C) To capitalize interest on the bonds;
- (D) To provide such reserve or contingency funds as the Board of Directors of the Master District in its judgment deems necessary;
- (E) To pay all costs incurred in the issuance of the bonds; and
- (F) To refund or refinance any bonds theretofore issued in any manner provided by law.

Section 3.3: Notice of Intent to Issue Bonds. Prior to issuing bonds as provided in this Article, the Master District shall notify the District of its intention to issue such bonds within ten (10) days after filing of a bond application with the Commission or other agency having jurisdiction. Notwithstanding any provision hereof, failure of the Master District to provide such notice shall in no way limit or impede the Master District's ability and power to issue bonds. Upon written request of the District, the Master District will provide a copy of such application to the District. The District will bear all costs of making such copy.

Within thirty (30) days after issuance of each series of Master District Bonds, the Master District shall provide the District with a copy of the bond resolution and the Master District's estimate of the amounts required to: (i) pay or provide for the payment of (a) all the interest and the principal on all bonds issued pursuant to this Article III when and as same shall become due and payable, and (b) all sinking fund and/or all reserve fund payments to be made in respect of any bonds issued pursuant to this Article III when and as the same shall become due and payable; and (ii) fulfill the terms of any agreements or covenants made with the holders of any bonds issued pursuant to this Article III and/or with any person on their behalf.

Section 3.4: Failure to Institute Arbitration. Should the District, within sixty (60) days after receiving notice of the Master District's intention to issue bonds as provided in Section 3.3 above, fail to institute arbitration pursuant to Section 11.16 hereof to settle any claim, objection, or controversy which the District might raise concerning such issuance of bonds, any such claim, objection, or controversy shall be considered as waived and abated.

Section 3.5: Terms of the Bonds. The Master District Bonds, as authorized in this Article, may either be sold at such price or prices as the Board of Directors of the Master District shall determine, and the Master District Bonds, as authorized in this Article, may be issued at any rate or rates of interest as the Board of Directors of the Master District may determine, provided that the net effective interest rate on any issue or series of such Master District Bonds shall not exceed the maximum legal limit in effect at the time of issuance of each such issue or series. All Master District Bonds shall be authorized by resolution or resolutions of the Board of Directors of the Master District approved by at least a majority of the members thereof, and shall bear such date or dates, mature at such time or times, bear interest at such rate or rates, payable annually or semiannually or at maturity, be in such denominations, and in such form, carry such registration privileges as to principal only or as to both principal and interest, and as to exchange of bonds of one denomination for bonds of other denominations, be executed in such manner and be payable at such place or places within or without the State of Texas, as such resolution or resolutions may provide. Any resolution or resolutions authorizing any bonds may contain such provisions as the Board of Directors of the Master District deems appropriate, which shall be a part of the contract between the Master District and the holders thereof from time to time, including without limitation of the generality thereof, provisions:

(A) Providing for disposition and use of bond proceeds;

(B) Reserving the right or requiring the Master District to redeem the bonds at such time or times, in such amounts and at such prices, plus accrued interest, as may be provided;

(C) Providing for the setting aside of sinking funds and reserve funds and the regulation and disposition thereof;

(D) Pledging to secure the payment of the principal of and interest on the bonds and of the sinking fund payments agreed to be made in respect of such bonds from all or any part of the gross or net revenues thereafter received by the Master District in respect of the property, real, personal, or mixed, to be acquired and/or constructed with such bonds or the proceeds thereof, or all or any part of the gross or net revenues thereafter received by the Master District from whatever source derived, including payments received from the Participants pursuant to Article IV hereof.

(E) Prescribing the purposes to which such bonds or any bonds thereafter to be issued, or the proceeds thereof, may be applied;

(F) Agreeing to fix and collect rates and charges sufficient to produce revenues adequate to operate and maintain some or all of the Master District Facilities, and prescribing the use and disposition of all revenues;

(G) Providing for investment of funds;

(H) Prescribing limitations upon the issuance of additional bonds and upon the agreements which may be made with the purchasers and successive holders thereof;

(I) Providing for constructing, extending, improving, reconstructing, operating, maintaining, or repairing of some or all of Master District Facilities, and carrying of insurance upon all or any part of properties covering loss or damage or loss of use and occupancy resulting from specified risks;

(J) Fixing the procedure, if any, by which, if the Master District shall so desire, the terms of any contract with the holders of such bonds may be amended or abrogated, and prescribing the amount of bonds the holders of which must consent thereto, and the manner in which such consent may be given;

(K) Providing for the execution and delivery by the Master District to a bank or trust company authorized by law to accept trusts, or to the United States of America or any officer or agency thereof, of indentures and agreements for the benefit of the holders of such bonds setting forth any or all of the agreements herein authorized to be made with or for the benefit of the holders of such bonds and such other provisions as may be customary in such indentures or agreements;

(L) Providing that such bonds are additionally secured by a mortgage or deed of trust lien on all or any part of the Master District Facilities, other than Master District Park Facilities, purchased or constructed with the proceeds of the bonds, such mortgage or lien to be subject to the obligations of the Master District to the District hereunder; and/or

(M) Relating to events of default under any resolution, indenture, or agreement entered into with the bondholders and any remedies provided to such bondholders which the Master District may deem advisable, including but not limited to mandamus, suits at law or equity, appointment of a receiver, or any other remedies that are not inconsistent with the provisions of this Article as the Board of Directors of the Master District may approve.

Section 3.6: Sale of Bonds to Texas Water Development Board. In the event that the Master District sells Master District Water, Sewer, and Drainage Bonds to the Texas Water Development Board or similar body, the District agrees to fully cooperate with the Master District in adopting water conservation and drought contingency plans that comply with the City's Groundwater Reduction Program and in meeting other requirements imposed as a condition of purchase of the bonds by the Texas Water Development Board.

Section 3.7: Alternative Funds. If, for any reason, the Master District is unable to issue and sell its bonds to provide funds for the purposes set out in this Contract, the District recognizes its ultimate obligation to provide its proportionate share of required funds to the Master District from any lawful source available to or which can be made available to the District (including, without limitation, District bond proceeds).

Section 3.8: Master District Notes. The Master District shall have the power, without any approval by or consent of the District or any other Participant, to issue notes (including, without limitation, bond anticipation notes) to the fullest extent currently or hereafter allowed by law.

## ARTICLE IV

### ELECTION, TAXES, AND PAYMENTS

Section 4.1: District Election. As provided in this Section 4.1, the District has or will call an election, or elections, in accordance with the provisions of any law authorizing such an election, for the approval of this Contract and the authorization to levy, assess, and collect ad valorem taxes on all taxable property within the boundaries of the District, without limit as to rate or amount, sufficient to make timely payment of all charges under this Contract to the Master District. The District has or will submit to the voters in such election four propositions regarding approval of the Contract as follows: (i) a proposition that approves the provisions of the Contract and specifically approves the District's obligation to levy an annual ad valorem tax to make payments for the Debt Service Requirements of the Master District Water, Sewer, and Drainage Bonds and for Monthly Charges associated with the Services from the Master District's Water, Sewer, and Drainage Facilities; (ii) a proposition that approves the provisions of the Contract and specifically approves the District's obligation to levy an annual ad valorem tax to make payments for the Debt Service Requirements of the Master District

Road Bonds and for Monthly Charges associated with the Services from the Master District's Road Facilities; (iii) a proposition that approves the provisions of the Contract and specifically approves the District's obligation to levy an annual ad valorem tax to make payments for the Debt Service Requirements of the Master District Park Bonds and for Monthly Charges associated with the Services from the Master District's Park Facilities; and (iv) a proposition that approves the provisions of this Contract and specifically approves the fire plan and contract to provide fire-fighting services for the District. If proposition "i," above, is approved at said election, regardless of whether or not propositions "ii" and "iii," above, are approved, then the District's obligation to levy an annual ad valorem tax to make payments for Debt Service Requirements for Master District Water, Sewer, and Drainage Bonds and for Monthly Charges associated with the Services from the Master District's Water, Sewer, and Drainage Facilities shall be authorized. If proposition "ii," above, is approved at said election, regardless of whether or not propositions "i" and "iii," above, are approved, then the District's obligation to levy an annual ad valorem tax to make payments for Debt Service Requirements for Master District Road Bonds and for Monthly Charges associated with the Services from the Master District's Road Facilities shall be authorized. If proposition "iii," above, is approved at said election, regardless of whether or not propositions "i" and "ii," above, are approved, then the District's obligation to levy an annual ad valorem tax to make payments for Debt Service Requirements for Master District Park Bonds and for Monthly Charges associated with the Services from the Master District's Park Facilities shall be authorized. If proposition "iv," above, is approved at said election, regardless of whether or not propositions "i" "ii" and "iii," above, are approved, then the District's obligation to levy an annual ad valorem tax to make payments for Debt Service Requirements for Master District Fire shall be authorized. Notwithstanding any provision of this Contract to the contrary, if such election does not pass, the Master District shall not be obligated to provide any service to the District under this Contract. Upon request by the Master District, the District shall provide certified copies of all proceedings pertaining to the creation and confirmation of the District and authorization and execution of this Contract.

Section 4.2: Duty to Levy Tax. Subject to the passage of the election required in Section 4.1, the District agrees to levy and hereby levies and shall annually assess and collect a continuing, direct ad valorem tax on all taxable property within the boundaries of the District to make timely payments of all charges required under this Contract to the Master District, without limitation as to rate or amount, sufficient to pay the District's Pro Rata Share of the funds needed by the Master District to pay Debt Service Requirements on the Master District Bonds issued pursuant to this Contract and the District's share of amounts necessary to pay the Monthly Charges, except to the extent the District has available funds which may be lawfully used for such purposes.

In addition, the District agrees to levy and hereby levies and shall annually assess and collect a continuing, direct ad valorem tax on all taxable property within the



boundaries of the District to make timely payments of all charges required under this Contract to the Master District, without limitation as to rate or amount, sufficient to pay the District's share of amounts necessary to pay the Monthly Charges (other than Monthly Charge for maintenance of Master District Road Facilities or any other road facility for which the Master District derives its authority from Article III, Section 52, Texas Constitution), except to the extent the District has available funds which may be lawfully used for such purpose.

Section 4.3: Calculation and Payment of Debt Service. The Master District shall prepare an annual debt service budget which contains the following items and shall be subdivided into separate budgets for each of the Master District Water, Sewer, and Drainage Bonds, the Master District Road Bonds, the Master District Fire Bonds and the Master District Park Bonds, to the extent necessary or convenient:

(A) the total Debt Service Requirements on the Master District Bonds for the next calendar year, including paying agent and registrar fees;

(B) the total revenues required to pay such Debt Service Requirements and related expenses after allowance for fund balances resulting from capitalized interest, interest earnings, and other revenues;

(C) the cumulative total of the Certified Appraised Value of all Participants and the calculation of the District's Pro Rata Share of Debt Service Requirements and each Participant's Pro-Rata Share of Debt Service Requirements; and

(D) amounts due from the District and each Participant and the dates on which such amounts are due and payable.

In preparing the debt service budget, the Master District shall adjust the District's Pro Rata Share and the other Participant's pro rata share of the Debt Service Requirements to reflect any changes in the Certified Appraised Value that occurred subsequent to the date the debt service budget for the previous year was submitted to the District and other Participants.

Such budget shall be prepared and sent to the District and each Participant by September 1 or as soon as practicable after all Participants have received their respective Certified Appraised Values for the year.

The District agrees to pay the District's Pro Rata Share of Debt Service Requirements to the Master District from the proceeds of ad valorem taxes authorized, assessed, and levied for such purposes, revenues, if any, derived from the operation of the District's facilities or from any other legally available services on or before the date specified by the Master District.

If the District fails to pay any amounts due to the Master District on the date(s) specified, such unpaid amount shall accrue interest at the rate of fifteen percent (15%) per annum. If the Master District institutes suit to collect any unpaid amounts, the Master District shall be entitled to recover reasonable attorneys' fees.

Section 4.4: Unconditional Obligation to Pay. All charges imposed by the Master District to pay debt service on Master District Bonds, to make payments to other persons constructing or financing Master District Facilities, and to pay Operation and Maintenance Expenses shall be made by the District without set-off, counterclaim, abatement, suspension, or diminution, and this Contract shall not terminate, nor shall the District have any right to terminate this Contract nor be entitled to the abatement of any such payment or any reduction thereof nor shall the obligations of the District under this Article IV be otherwise affected for any reason, including without limitation acts or conditions of the Master District that might be considered failure of consideration, eviction or constructive eviction, destruction or damage to the Master District Facilities, failure of the Master District to perform and observe any agreement, whether expressed or implied, or any duty, liability, or obligation arising out of or connected with the Contract, it being the intention of the parties that all sums required to be paid by the District to the Master District for such purposes shall continue to be payable in all events and the obligations of the District hereunder shall continue unaffected, unless the requirement to pay the same shall be reduced or terminated pursuant to an express provision of this Contract.

If the District disputes the amount to be paid to the Master District, the District shall nonetheless promptly make payments as billed by the Master District, and if it is subsequently determined by agreement, arbitration, regulatory decision, or court decision that such disputed payment should have been less, the Master District will then make proper adjustments to all Participants so that the District will receive credit for its overpayments. Nothing contained in this Section shall be construed to release the Master District from performance of any of the agreements on its part in this Contract and in the event the Master District shall fail to perform any such agreement, the District may seek such relief against the Master District pursuant to Section 11.7 of this Contract as the District deems necessary so long as same does not abrogate the District's obligation to make the payments set out in this Section.

Section 4.5: Master District Payment of Debt Service Requirements/Monthly Charges and Master District Election Required. It is understood and agreed that the Master District will pay its share of Debt Service Requirements and Monthly Charges in the same manner and calculated as if it were a Participant only and not the Master District. The Master District has or will submit to its voters propositions approving the provisions of this Contract and authorizing the Master District to levy a tax in payment of its obligations hereunder so that the Master District is authorized to levy and collect ad valorem taxes on all taxable property within the Master District's boundaries to pay its contractual obligations hereunder on the same terms and conditions as the District.

## ARTICLE V

### MONTHLY CHARGES FOR SERVICES PROVIDED

Section 5.1: General Statement. The parties recognize that, because the expenses of the Master District will vary from time to time, it is neither practicable nor possible to fix a schedule of specific Monthly Charges in this Contract which will control the Monthly Charges to be paid by the Participants to the Master District for Services rendered throughout the term of this Contract. The parties further recognize, however, that the Master District is not organized for profit and that its Monthly Charges should be at all times the lowest rates which are consistent with its obligations under this Contract. The Master District further recognizes its obligation as a public utility to establish Monthly Charges which are just and reasonable and to serve the District and others of the same class without discrimination as to either Monthly Charges or types of service.

The Master District covenants and agrees that the Monthly Charges will be reasonable and nondiscriminatory and will be reviewed at least annually. The Master District further covenants and agrees that the Monthly Charges will be revised or reduced from time to time so that the monies received by the Master District from the District will be used only for the purposes set out herein.

It is understood and agreed that the Master District will also pay Monthly Charges as set forth in this Article V, calculated as if it were a Participant only and not the Master District. The Master District will bill itself and pay delinquent charges in the same manner as other Participants. The District and the Master District recognize the duty of the Master District to fix and revise its Monthly Charges for Services to be furnished and made available to all Participants, including the Master District, so that the gross operating revenues received by the Master District from the Master District Facilities will at all times be not less than an amount sufficient to:

(A) pay or provide for the payment of all Operation and Maintenance Expenses; and

(B) provide for an operation and maintenance reserve in the General Fund (the "Reserve") equivalent to three (3) months of Operation and Maintenance Expenses.

The District recognizes that the Master District must fix and, from time to time, alter and revise its Monthly Charges so that the revenues actually received by the Master District, including payments made by the Master District, will be sufficient as aforesaid on the basis of actual cash and Reserve requirements, with full allowance being made for delinquencies and costs of collection.

Section 5.2: Payments by the District. The District agrees to pay the Master District at the time and in the manner herein set forth, so long as this Contract is in force and effect, the Monthly Charges established as set forth in this Contract.

Section 5.3: Budgets.

(A) On the basis of estimates from its consultants, past operating experience, and related data, the Master District shall establish, prior to the commencement of Services to the District, a budget, for the operation of all the Master District Facilities that will be operated by the Master District for the remainder of that fiscal year. Thereafter, budgets shall be prepared annually. Such budget shall include all Operation and Maintenance Expenses, Reserve requirements, if any, and expenses reasonably expected to be incurred for the period of time covered by the budget. Such budget may include Capital Costs reasonably expected to be incurred to meet Regulatory Requirements and may include other Capital Costs upon consent of all Participants.

(B) Regardless of whether MUD No. 1 Facilities have been conveyed to MUD No. 1, prior to commencement of Services to the District, and annually thereafter not later than ninety (90) days prior to the beginning of each budget period, the District will furnish to the Master District the District's best estimate of (1) the total quantity of Waste which the District expects to discharge into the Waste Disposal System during each month of the period covered by such budget; (2) the total quantity of water which the District expects to use during each month of the period covered by such budget; (3) a monthly estimate of Residential Connections and Commercial Connections to be located within the District during the period covered by such budget; and (4) the total number of Connections reserved in the Master District Facilities to serve the District.

(C) On the basis of such information and not later than forty-five (45) days prior to the beginning of each budget period, the Master District shall prepare a budget which shows the following:

- (1) the total Operation and Maintenance Expenses;
- (2) the total Reserve requirement;
- (3) the total revenues required to pay Operation and Maintenance Expenses and to establish the Reserve requirement; and
- (4) the projected unit cost of Operation and Maintenance Expenses and the Reserve requirement expressed in terms of cost per Connection.

(D) The budget shall be submitted by the Master District to the District. The budget shall be deemed approved unless disapproved in writing by a two thirds (2/3) majority of the Participants within forty-five (45) days after receipt by the Participants. If the budget is so disapproved, and the parties cannot agree on a modified budget, any Participant may submit the budget to arbitration as provided in Section 11.16. Until a final decision is made in arbitration, the budget proposed by the Master District shall be implemented and the District is obligated to pay all amounts due thereunder.

(E) If the District pays more than its respective share of Operation and Maintenance Expenses and Reserve requirements because of a mistake in billing by the Master District, the Master District shall refund the overpayment to the District at the end of the year, or credit the District for such amount in the next budget year.

(F) Notwithstanding anything in this Contract to the contrary, if the Participants agree or if Regulatory Requirements necessitate, the Master District shall have the right to establish a separate annual budget for all or any portion of the Operation and Maintenance Expenses attributable or related to the Waste Disposal System and to allocate said Operation and Maintenance Expenses attributable to or related to the Waste Disposal System (or said portion thereof) among the District and other Participants by Monthly Charges based on actual use of the Waste Disposal System (which may be based on the amount of water used by the District and other Participants and which may take into consideration the quality of Waste being discharged by the District and other Participants to the Waste Disposal System) rather than on a unit cost per connection. Without limiting the Master District's authority in the preceding sentence, the Master District may structure its Monthly Charges so as to comply with Regulatory Requirements.

(G) Any claim, dispute, or controversy arising out of the annual operating budget, the unit cost, the Monthly Charges, or any other matter or circumstance relating to the Operation and Maintenance Expenses or Reserve requirements shall be resolved by arbitration as provided in Section 11.16 of this Contract.

Section 5.4: Initial Funding of Operation and Maintenance Reserve. The Master District shall establish and thereafter maintain a Reserve in the General Fund, equivalent to three (3) months' Operation and Maintenance Expenses as set forth in the annual budget. The District shall make Reserve payments in the following manner:

(A) Prior to commencement of Services under this Contract, the Master District shall bill the District an amount calculated by multiplying the unit cost per Connection, as computed in Section 5.3(C)(4), by the number of Connections

reserved to the District for the period covered by the first budget and multiplying such product by three. The District may pay such amount prior to the commencement of Services or may request the Master District to bill the District at a rate equal to one hundred fifty percent (150%) of the budgeted Monthly Charge (including Monthly Charges based on actual use of the waste Disposal System) until such time as the full amount owed under this Section 5.4(A) has been paid.

(B) If the Master District expends more than two-thirds (2/3) of the Reserve in any one fiscal year, the Master District may increase the Monthly Charges to the Participants to replenish the Reserve over the balance of the fiscal year, or may include Reserve requirements for such replenishment in the next annual budget. The Master District shall immediately notify the District of such increase and shall provide a written explanation for the cause thereof.

The Master District may use monies from the Reserve for any Operation and Maintenance Expenses and extraordinary expenses and repairs, including costs required to comply with Regulatory Requirements.

Section 5.5: Billing. The Master District will promptly render monthly bills to the District in an amount determined by multiplying the number of Connections reserved to the District on the first day of the previous month by the unit cost per Connection shown in the budget. The Master District shall, until further notice, render such bills on or before the first day of each month and such bills shall be due and payable on or before the 1st day of the succeeding month or thirty-five (35) days after such bill is deposited in the United States mail, properly stamped and addressed to the District, whichever is later, and interest shall accrue thereon at the rate of fifteen percent (15%) per annum if not paid within thirty (30) days after such bill is due and payable until paid in full. The Master District may, however, from time to time, by forty-five (45) days' written notice and with the consent of the District, change the monthly date by which it shall render bills, and all bills shall thereafter be due and payable thirty (30) days after such dates or thirty-five (35) days after deposit in the United States mail, properly stamped and addressed to the District, whichever is later. If the Master District establishes Monthly Charges for Maintenance and Operation Expenses of the Waste Disposal System based on actual use, it may establish a separate billing schedule for such charges.

Section 5.6: Delinquency in Payment. In the event the District fails to pay any bills when due and payable, the Master District shall give written notice of such delinquency to the District, and if all bills due and unpaid, including interest thereon, are not paid within forty-five (45) days after delivery of such notice, then the District agrees that the Master District shall be authorized, at its option, to institute arbitration or suit for collection thereof and to collect any amounts due and unpaid, together with interest thereon at the rate of fifteen percent (15%) per annum and reasonable attorneys'

fees. In addition to the other remedies provided herein for failure to make timely payment, the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in Master District Facilities.

Section 5.7: Covenant to Maintain Sufficient Income. The District recognizes its duty to, and covenants and agrees that at all times it will, establish and maintain and from time to time adjust the rates, fees, and charges for the services provided by the District, or the availability of such services, to the end that the gross revenues therefrom together with any taxes levied in support thereof and funds received from any other lawful source will be sufficient at all times to pay all operation and maintenance expenses of the District and all the District's obligations to the Master District under this Contract. Sums paid by the District to the Master District hereunder from the rates, fees, and charges for services provided by the District's Sanitary Sewer Collection System and the District's Water Delivery System, if the District is operating such systems, shall constitute operating expenses of the District's Sanitary Sewer Collection System and the District's Water Delivery System.

## ARTICLE VI

### FUNDS, RECORDS, AUDITS AND INSURANCE

Section 6.1: Creation of Funds. The Master District shall establish the General Fund, the Water, Sewer, and Drainage Construction Fund, the Road Construction Fund, the Park Construction Fund, and the Debt Service Fund. Such funds shall be kept separate and apart from all other funds of the Master District. The General Fund, the Water, Sewer, and Drainage Construction Fund, the Road Construction Fund, the Park Construction Fund, and the Debt Service Fund shall constitute trust funds which shall be held in trust for the benefit of the Participants as provided in this Contract. The Master District reserves the right to create additional funds, and accounts or sub-accounts within any funds established by the Master District, pursuant to the terms of the resolutions authorizing Master District Bonds.

Section 6.2: Security of Funds. Any cash balance in such funds shall be continuously secured in the manner required by the laws of the State of Texas applicable to the Master District as such laws now exist or may exist during the term of this Contract.

Section 6.3: General Fund. The Master District shall deposit, as collected, the Monthly Charges billed pursuant to Article V hereof into the General Fund. All monies deposited in the General Fund shall be used for the purpose of paying the Operation and Maintenance Expenses and funding the Reserve requirements.

Section 6.4: Debt Service Fund. The Master District shall deposit, as collected, the payments due pursuant to Section 4.3 hereof into the Debt Service Fund. All monies

deposited in the Debt Service Fund shall be used for the purpose of paying the Debt Service Requirements. The Master District may, in its sole discretion, establish separate debt service funds for Master District Park Bonds, Master District Road Bonds, Master District Water, Sewer, and Drainage Bonds and any series thereof.

Section 6.5: Water, Sewer, and Drainage Construction Fund. The Master District shall deposit into the Water, Sewer, and Drainage Construction Fund, proceeds, as received, from Master District Water, Sewer, and Drainage Bonds, that are to be used for Capital Costs of the Master District's Water, Sewer, and Drainage Facilities, reimbursement or payment to developers or other entities for Capital Costs of the Master District's Water, Sewer, and Drainage Facilities, payment for issuance costs (including, without limitation, legal and fiscal agent fees, printing costs, Commission fees) related to Master District Water, Sewer, and Drainage Bonds, and any other related purposes. All monies deposited into the Water, Sewer, and Drainage Construction Fund shall be used for the purposes described in the preceding sentence.

Section 6.6: Road Construction Fund. The Master District shall deposit into the Road Construction Fund proceeds, if any, as received, from Master District Road Bonds, that are to be used for Capital Costs of the Master District's Road Facilities, reimbursement or payment to developers or other entities for Capital Costs of the Master District's Road Facilities, payment for issuance costs (including, without limitation, legal and fiscal agent fees, printing costs) related to Master District Road Bonds, and any other related purposes. The Master District shall also deposit into the Road Construction Fund all Road Construction Charges, if any, as received, that are to be used for Capital Costs of the Master District's Road Facilities, or reimbursement or payment to developers or other entities for Capital Costs of the Master District's Road Facilities, and any other related purposes. All monies deposited into the Road Construction Fund shall be used for the purposes described in the preceding two sentences.

Section 6.7: Park Construction Fund. The Master District shall deposit into the Park Construction Fund proceeds, if any, as received, from Master District Park Bonds, that are to be used for Capital Costs of the Master District's Park Facilities, reimbursement or payment to developers or other entities for Capital Costs of the Master District's Park Facilities, payment for issuance costs (including, without limitation, legal and fiscal agent fees, printing costs, Commission fees) related to Master District Park Bonds, and any other related purposes. The Master District shall also deposit into the Park Construction Fund all Park Construction Charges, if any, as received, that are to be used for Capital Costs of the Master District's Park Facilities, or reimbursement or payment to developers or other entities for Capital Costs of the Master District's Park Facilities, and any other related purposes. All monies deposited into the Park Construction Fund shall be used for the purposes described in the preceding two sentences.



Section 6.8: Investments. Monies deposited into the General Fund, the Debt Service Fund, the Water, Sewer, and Drainage Construction Fund, the Road Construction Fund, and the Park Construction Fund may be invested or reinvested in Authorized Investments and all investments shall belong to such fund. If any monies are so invested, the Master District shall have the right to have sold, in the open market, a sufficient amount of such investments to meet its obligations in the event the General Fund, the Debt Service Fund, the Water, Sewer, and Drainage Construction Fund, the Road Construction Fund, or the Park Construction Fund does not have sufficient uninvested funds on hand to meet the obligations payable out of such fund. The Master District shall not be responsible to any Participant for any loss arising out of the sale of any investment.

Section 6.9: Earnings from Investments. The interest accruing on, and any profits realized from, investing monies of the General Fund, the Debt Service Fund, the Water, Sewer, and Drainage Construction Fund, the Road Construction Fund, or the Park Construction Fund shall be credited to the fund from which such investment came; provided, however, that the Master District may determine that earnings and profits from investments of the General Fund should be deposited into the Debt Service Fund, in which case such earnings and profits shall be deposited into the Debt Service Fund for so long as the Master District directs.

Section 6.10: Accounts, Records and Accounting Records. The Master District covenants and agrees that it will maintain books of records and accounts in which full, true, and proper entries will be made of all dealings, transactions, business, and any other matters which in any way affect or pertain to Master District Facilities and the allocation and application of the Monthly Charges and earnings from investments. Such books and accounts will be available for inspection by the District at reasonable hours and under reasonable circumstances. The Master District will operate and budget on a fiscal year basis.

Section 6.11: Audit. After the end of each fiscal year (beginning with the fiscal year or fraction thereof after any part of the Master District Facilities are placed in operation), the Master District will have an audit by a certified public accountant, for the last fiscal year, which shall be submitted to the Master District and each Participant within one hundred and twenty (120) days after the end of the fiscal year.

Section 6.12: Insurance. The Master District covenants that it will, at all times, keep insured such parts of the Master District Facilities (other than MUD No. 1 Facilities) as are usually insured by municipal utility districts operating like properties in similar locations under the same circumstances, with a responsible insurance company or companies, against risk, accidents, or casualties against which and to the extent insurance is usually carried by such corporations; provided, however, that at any time while any contractor engaged in construction work shall be fully responsible therefor, the Master District shall not be required to carry such insurance. All such

policies shall be open to inspection of the District and its representatives at all reasonable times.

Section 6.13: Insurance Proceeds. In the event of any loss or damage to the Master District Facilities (other than MUD No. 1 Facilities), the Master District covenants that it will reconstruct or repair the destroyed or damaged portion of such Master District Facilities and will apply the proceeds of the insurance policies covering such loss or damage solely for that purpose. The Master District covenants that it will begin such work or reconstruction or repair promptly after such loss or damage shall occur and will continue and properly complete the same as expeditiously as possible and will pay, or cause to be paid, all costs and expenses in connection therewith out of the insurance proceeds to the extent insurance proceeds are available.

Section 6.14: Excess Insurance Proceeds. Any insurance proceeds remaining after the completion of, and payment for, any such reconstruction or repairs shall be deposited to the credit of the applicable Construction Fund.

## ARTICLE VII

### QUANTITY, MEASUREMENT, POINT OF ENTRY AND TITLE

Section 7.1: Quantity of Waste Discharged. While this Contract is in force and effect, the District shall be entitled to discharge and the District agrees to discharge at the points of entry as designated pursuant to Section 7.4, and the Master District has an obligation to receive, at said points of entry, all Waste meeting the requirements of Article VIII which is collected by the District's Sanitary Sewage Collection System; provided, however, that such Waste shall not be discharged at any rate or rates of flow in excess of that portion of the actual hydraulic capacity of the Waste Disposal System which is reserved for the District's connections or in excess of that portion of the capacity of the Waste Disposal System which is reserved for the District's connections to adequately treat and dispose of such Waste in full compliance with all Regulatory Requirements. If the Master District refuses to accept Waste under this Section 7.1, the Master District has the obligation to proceed to acquire such capacity as provided herein. If the District delivers Waste through the point of entry in rates of flow that exceed the capacity of the Waste Disposal System which is reserved for the District's connections or which is in violation of the provisions of this Contract, and the delivery of such Waste causes damage to the Waste Disposal System, the District shall pay one hundred percent (100%) of all costs and expenses incurred by the Master District to repair such damage and any extraordinary cost and expense associated with the treatment and disposal of such Waste.

Section 7.2: Quantity of Water and Pressure. The District shall be entitled to, and the Master District agrees to provide, Potable Water for the residents and business establishments located within the District. The Master District shall design its Water

Distribution System so as to permit the delivery of water to the District, and the Master District shall use its best efforts to deliver water to the District at a pressure of not less than thirty-five (35) pounds per square inch on an average daily flow basis and shall use diligence in the operation of said facilities to maintain such pressure.

Section 7.3: Quantity of Storm Water Discharged. The District shall be entitled to discharge at the points of entry as designated pursuant to Section 7.4, and the Master District has an obligation to receive at said points of entry, all storm water collected by the District's Storm Sewer System; provided, however, that the District will use its best efforts to see that such storm water is not discharged at any rate or rates of flow in excess of the drainage capacity of the Master District Storm Sewer System which is reserved for the District's connections. If the Master District refuses to accept storm water under this Section 7.3, the Master District has the obligation to acquire such capacity as provided herein.

Section 7.4: Point of Entry and Title. The initial points of delivery of water from the Master District to the District and points of entry of Waste and storm water to be discharged by the District into the Waste Disposal System and the Master District Storm Sewer System, respectively, shall be as established by mutual agreement of the District and the Master District. The District and the Master District may designate or substitute additional points of entry at any time by similar mutual agreement.

Title to all Potable Water deliverable hereunder to the District shall remain in the Master District to the points of entry and upon passing through the points of entry, title thereto shall pass to the District. As between the parties hereto, the Master District shall be in exclusive control and possession of, and solely responsible for, all water until the same shall pass through such points of entry, and thereafter the District shall be in exclusive control and possession thereof and solely responsible therefor.

Title to all Waste deliverable hereunder to the Master District shall remain in the District to the points of entry and upon passing through the points of entry, title thereto and to all effluent therefrom shall pass to the Master District. As between the parties hereto, the District shall be in exclusive control and possession of, and solely responsible for, all Waste until the same shall pass through such points of entry, and thereafter the Master District shall be in exclusive control and possession thereof and solely responsible therefor.

Section 7.5: Subject to Section 2.2. The provisions of this Article VII are subject to Section 2.2.

## ARTICLE VIII

### REGULATION OF QUALITY OF WATER DELIVERED AND WASTES RECEIVED

Section 8.1: Quality of Water Delivered. Any water to be delivered hereunder by the Master District shall be Potable Water; provided, however, Reuse Water may be delivered by the Master District for non potable purposes.

Section 8.2: Regulation of Quality of Waste. In order to permit the Master District to properly treat and dispose of Waste collected by the District's Sanitary Sewage Collection System in compliance with all Regulatory Requirements including those of the City, and to protect the public health and to permit cooperation with other entities for the protection of the physical, chemical, and bacteriological quality of public water and watercourses, and to protect the properties of the Waste Disposal System, the District and the Master District agree that the quality and strength of all Waste collected by the District's Sanitary Sewage Collection System and discharged into the Master District's Sanitary Sewage Collection System must be regulated. The District agrees to regulate the quality and strength of the Waste to be discharged into the Master District's Sanitary Sewage Collection System as hereinafter provided in this Article. The parties further agree that the obligation of the Master District to receive Waste into the Master District's Sanitary Sewage Collection System from the District's Sanitary Sewage Collection System shall depend upon compliance by the District with the provisions of this Article.

Section 8.3: Admissible Waste. Waste discharged into the Waste Disposal System shall consist only of Waste which is amenable to biological treatment.

Section 8.4: Industrial and Commercial Wastes. The effect of Industrial and Commercial Wastes upon sanitary sewers and upon the Waste Disposal System and waste treatment processes is such that careful and special consideration must be made of each connection discharging Commercial or Industrial Waste. This is a matter of importance both to the Master District and to the District.

The District agrees that it will authorize discharge of Industrial and/or Commercial Wastes into the District's Sanitary Sewage Collection System subject to approval by the Master District and upon the terms and conditions as the Master District may prescribe from time to time, after the filing by the applicant industry or commercial enterprise of a statement, a copy of which shall be forwarded to the Master District, containing the following information:

- (A) Name and address of applicant;
- (B) Type of industry, business activity, or other waste-creative process;

- (C) Quantity of Waste to be discharged;
- (D) Typical analysis of the Waste;
- (E) Type of pretreatment proposed; and
- (F) Such other information as the Master District may from time to time request by written notice.

The Master District shall act on such request within sixty (60) days after receipt of all information required by this Contract.

Section 8.5: Testing of Waste. The Master District shall be entitled to collect samples of Waste at or near the point(s) of discharge into the Master District's Sanitary Sewage Collection System or the District's Sanitary Sewage Collection System and cause the same to be analyzed by American Public Health Association standard methods or other appropriate methods to determine if such waste is within the qualities specified and approved by the District. If analysis discloses that the Waste does not comply with the qualities specified, it will be the obligation of the District to require the offending originator to cease discharging such Waste into the District's Sanitary Sewage Collection System or to pretreat such Waste.

Section 8.6: Use of Reuse Water. If Reuse Water is acquired from the City or its Groundwater Reduction Program, as between the parties hereto, the Master District shall own and have the right to utilize, dispose of and/or sell all Reuse Water. The Master District may require that: (i) some or all Reuse Water Facilities be designed, constructed, owned and operated by the Master District; and (ii) the Reuse Water Facilities to be conveyed to MUD No. 1 for ownership and operation by MUD No. 1 (and in such event, the provisions of this Contract to the contrary shall be reformed and construed to recognize that the MUD No. 1 owns such facilities and is responsible for maintenance and operation of same). The District shall not construct any Reuse Water Facilities without the written approval of the Master District. The Master District may include in Operation and Maintenance Expenses the cost of operating, maintaining and repairing Reuse Water Facilities. Funds, if any, received by the Master District for Reuse Water shall be deposited into the General Fund and applied against Operation and Maintenance Expenses. If determined appropriate by the Master District, in light of the benefit to the Service Area, the Master District may provide Reuse Water to a user without charging the user for same. The provisions of this Section 8.6 shall control over any inconsistent provision of this Contract.

Section 8.7: Subject to Section 2.2. The provisions of this Article VIII are subject to Section 2.2.

## ARTICLE IX

## OPERATION OF MASTER DISTRICT FACILITIES

Section 9.1: Standard of Operation. The Master District shall operate the Master District Facilities that have not been conveyed to MUD No. 1, or cause same to be operated, in accordance with accepted good practices, and may establish reasonable rules and regulations relating to the manner of providing Services to the District. The Master District agrees to use reasonable diligence and care to continually hold itself ready, willing, and able to render Services to the District as provided in this Contract.

Section 9.2: Independent Contractor. The Master District will be an independent contractor in fulfilling all of the obligations under this Contract, and more specifically in performing its obligations under Section 9.1.

Section 9.3: Regulatory Action. The parties recognize that the obligations of the Master District to render Services to the District as provided in this Contract are subject to all present and future Regulatory Requirements, and the parties agree to cooperate to make such applications and to take such action as may be desirable to obtain compliance therewith.

Section 9.4: Maintenance of Master District Facilities. The Master District covenants that it will at all times maintain the Master District Facilities that have not been conveyed to MUD No. 1 or cause the same to be maintained, in good condition and working order and will operate the same, or cause the same to be operated, in an efficient and economical manner, at reasonable cost, and in accordance with sound business principles. In operating and maintaining such Master District Facilities, the Master District will comply with all contractual provisions and agreements entered into by it and with all valid Regulatory Requirements.

Section 9.5: Subject to Section 2.2. The provisions of this Article IX are subject to Section 2.2.

## ARTICLE X

### DISTRICT'S SANITARY SEWAGE COLLECTION SYSTEM AND WATER DELIVERY SYSTEM

Section 10.1: Construction and Maintenance of District's Sanitary Sewage Collection System, District's Water Delivery System, and District's Storm Sewer System. All plans and specifications for the District's Sanitary Sewage Collection System, the District's Water Delivery System, and the District's Storm Sewer System shall be submitted to the Master District's engineer for a determination of general conformance with the Master District's master plan of the Master District Facilities and the City. The Master District shall either approve or disapprove such plans and specifications within sixty (60) days after receipt. Upon approval by the Master District of the plans and specifications prepared by the District's engineers, the District will, at its sole cost and

expense, acquire, construct, maintain and operate the District's Sanitary Sewage Collection system appropriate for collecting Waste, the District's Water Delivery System appropriate for the delivery of Potable Water (and Reuse Water for non-potable purposes, if approved by the Master District), and the District's Storm Sewer System appropriate for the collection of storm waters. The District's Sanitary Sewage Collection System shall include necessary manholes, cleanouts, lift stations, and other pertinent facilities adequate to take and gather Waste within the boundaries of the District and deliver the same to the designated point of entry into the Master District's Sanitary Sewage Collection System. The District's Water Delivery System shall include necessary and pertinent facilities adequate to take water from the Master District's Water Delivery System at the point of entry and deliver the water to each Residential Connection or Commercial Connection. The District's Storm Sewer System shall include necessary and pertinent facilities to drain storm waters from within the boundaries of the District and deliver the same to the designated points of entry into the Master District's Storm Sewer System. The District's Sanitary Sewage Collection System, the District's Water Delivery System, and the District's Storm Sewer System shall be designed and constructed by the District in accordance with sound engineering principles and in compliance with all applicable requirements of any regulatory authority, including the requirements of Texas law and regulations of the Commission, the City, and the Texas Department of Health as to the design, plans, and specifications. The District will not extend, or permit the extension of any of, the District's Sanitary Sewage Collection System, the District's Storm Sewer Collection System, or the District's Water Delivery System to serve any land or premises beyond its boundaries without the written permission of the Master District. The District shall further operate and maintain the District's Sanitary Sewage Collection System, the District's Storm Sewer System, and the District's Water Delivery System, to the extent (if at all) the District is operating such systems, in good condition and shall promptly repair any leaks or breaks therein and shall undertake such action as may be required to control unreasonable infiltration. If a break or leak occurs which allows abnormal roughage or infiltration or discharge of solid matter or water into the District's Sanitary Sewage Collection System or the District's Water Delivery System and such break or leak is not repaired within ten (10) days after notice by the Master District, then the Master District may, at its option, repair the same and charge the District the actual cost of repairing the same. The District shall require that all connections to the District's Water Delivery System, if the District is operating such system, be metered.

Section 10.2: Plumbing Code. The District and the Master District agree that the establishment of a plumbing code may be a vital part of the proper operation of the Master District's and the District's Sanitary Sewage Collection System, the Waste Disposal System, the Master District's and the District's Water Delivery System, and the Water Supply System. Consequently, the District agrees to adopt a plumbing code at least as equally restrictive to the plumbing code, if any, adopted by the Master District and the City. The District shall require all parties connected to the District's Sanitary

Sewage Collection System and the District's Water Delivery System after the effective date of this Contract to conform fully to the District's plumbing code. The District agrees to serve only those parties which comply with the District's plumbing code, including permit and inspection provisions, and the District agrees to enforce the provisions of this Section by appropriate action.

Section 10.3: Operator. The District and Mater District will each employ an independent contractor to operate and maintain any facilities that they own (that have not been conveyed to MUD No. 1). The District and the Master District recognize that utilizing the same operator for such purpose shall result in a more economical operation and avoid potential conflicts of responsibility. Accordingly, the Master District and the District shall counsel with each other and the other Participants in the selection of operators.

Section 10.4: Subject to Section 2.2. The provisions of this Article X are subject to Section 2.2.

## ARTICLE XI

### MISCELLANEOUS PROVISIONS

Section 11.1: Term. Unless terminated by mutual agreement of the parties hereto, this Contract shall continue in force and effect for a period of forty (40) years from its date.

Section 11.2: Renewal of Contract. Upon expiration of this Contract, the Master District agrees to contract with the District to continue to provide Services (to the extent then permitted by law) to the District upon the mutual written agreement of the parties.

Section 11.3: Contracts by Master District With Other Participants. The Master District shall have the right to contract with other Participants to render Services and shall have the further right to enlarge the size and the capacity of the Master District Facilities for the use and benefit of any other Participants. Such contracts with other Participants and such enlargements in size and capacity shall be subject to and shall not impair the right of the District to receive Services from the Master District, which are established under this Contract for the number of connections reserved to the District, except with the consent of the District. The Master District agrees that it will contract with all other Participants on substantially the same terms and conditions as are set out in this Contract; provided, however, that the Master District shall not enter into any such contract with a Participant without the consent of all Participants unless such Participant is authorized, by the requisite majority of the voters voting in an election held by such Participant, to levy and collect ad valorem taxes to pay charges due under such contract. Sienna Plantation Municipal Utility District No. 5, in its capacity as Master District, has or will execute a contract with Sienna Plantation Municipal Utility



District No. 5, in its capacity as a Participant, with terms and conditions substantially similar to those set forth in this Contract.

Section 11.4: Approvals by District or Master District. Whenever this Contract requires or permits approvals or consents to be hereafter given by the District or by the Master District, the parties agree that such approval or consent shall not be unreasonably withheld. Such approval or consent may be evidenced by an order or resolution adopted by the governing body or by an appropriate certificate executed by a person, firm or entity authorized to determine and give approval or consent on behalf of the District or the Master District pursuant to an order or resolution adopted by the governing body. Such approval or consent shall be effective without regard to whether given before or after the time required herein and no such approval or consent of the District shall be required as a condition to any action by the Master District except as expressly required in this Contract.

Section 11.5: District's Consent to Sewer and Water Lines. If any sewer or water mains or lines or appurtenances of the Master District should be located on any land now or hereafter owned by the District or in any present or future rights-of-way of the District, the District hereby consents thereto and hereby grants or will grant to the Master District the right, privilege, easement, and right-of-way to use such lands, rights-of-way, or public places for the purpose of maintaining, operating, laying, repairing, and removing such sewer and water mains or lines or appurtenances until termination of this Contract in order for the Master District to comply with the provisions of this Contract, so long as such activities by the Master District do not unduly interfere with the District's own activities.

Section 11.6: Force Majeure. In the event either party is rendered unable, wholly or in part, by force majeure to carry out any of its obligations under this Contract, except the obligation to pay funds required hereunder, then the obligations of such party, to the extent affected by such force majeure and to the extent that due diligence is being used to resume performance at the earliest practicable time, shall be suspended during the continuance of any inability so caused to the extent provided but for no longer period. As soon as reasonably possible after the occurrence of the force majeure relied upon, the party whose contractual obligations are affected thereby shall give notice and full particulars of such force majeure to the other party. Such cause, as far as possible, shall be remedied with all reasonable diligence. The term "force majeure," as used herein, shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, orders of any kind of the government of the United States or the State of Texas or any civil or military authority other than a party to this Contract, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, and any other incapacities of either party, similar to those enumerated, which are not within the control of the party claiming such inability and which such party could not have

avoided by the exercise of due diligence and care. It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demands of the opposing party or parties when such settlement is unfavorable to the party having the difficulty in the judgment of such party.

Section 11.7: Remedies upon Default. It is not intended hereby to specify (and this Contract shall not be considered as specifying) an exclusive remedy for any default, but all remedies, other than termination, existing at law or in equity, including specific performance and mandamus, may be availed of by either party and shall be cumulative; provided, however, that except as otherwise provided in this Contract the manner of proceeding to settle any controversy, claim or dispute arising out of or relating to this Contract, or any breach thereof, shall be by arbitration as provided in Section 11.16 of this Contract.

Section 11.8: No Additional Waiver Implied. No waiver or waivers of any breach or default (or any breaches or defaults) by either party hereto of any term, covenant, condition, or liability hereunder, or of performance by the other party of any duty or obligation hereunder, shall be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, under any circumstances.

Section 11.9: Addresses and Notice. Unless otherwise provided in this Contract, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "notice") herein provided or permitted to be given, made, or accepted by either party to the other must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram, when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated in this Contract, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as shown on the signature page of this Contract. The parties shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other party.

Section 11.10: Modification. This Contract shall be subject to change or modification only with the mutual written consent of the governing bodies of each of the parties hereto; provided, however, except as provided in Section 11.17, no major substantive change in terms and conditions shall be made without the approval of all

Participants. Any modification or amendment of this Contract in accordance with this Section 11.10, except as provided in Section 3.1, may be made without voter approval.

Section 11.11: Assignability. This Contract shall not be assignable by the Master District without the prior written consent of the Board of Directors of the District except: (i) the same may be assigned to a Trustee for the Master District's Bonds, and (ii) as the Master District may pledge the payments to be received from the District hereunder to pay debt service on the Master District's Bonds.

Section 11.12: Parties in Interest. This Contract shall be for the sole and exclusive benefit of the Master District, the District, the Participants, and the owners or holders of the Master District's Bonds issued hereunder from time to time and shall not be construed to confer any benefit or right upon any other persons or entities, or residents or customers of any of the Participants.

Section 11.13: Severability. The provisions of this Contract are severable, and if any word, phrase, clause, sentence, paragraph, section, or other part of this Contract or the application thereof to any person or circumstance shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Contract and the application of such word, phrase, clause, sentence, paragraph, section, or other part of this Contract to other persons or circumstances shall not be affected thereby.

Section 11.14: Master District as Participant. In addition to its rights and obligations as Master District under this Contract, the Master District shall also have all of the rights and obligations of a Participant. Accordingly, the Master District will construct and/or acquire water delivery, waste collection, and storm water collection facilities to serve connections within the Master District from its own funds and such facilities shall not be Master District Facilities. After such construction and/or acquisition, the Master District will discharge Waste into and receive Potable Water (and potentially Reuse Water for non-potable purposes) from the Master District Facilities on the same basis as other Participants, including the District. The Master District covenants and agrees that it will operate and maintain its facilities (if such facilities are not conveyed to MUD No. 1) and otherwise conduct itself with regard to the Master District Facilities as if it were a regular Participant.

Section 11.15: Sale or Encumbrance of Master District Facilities. The Master District will not sell, dispose of, or encumber any of the Master District Facilities except: (i) for conveyances of the MUD No. 1 Facilities to MUD No. 1, and (ii) as permitted in Article III or in resolutions authorizing the issuance of its bonds to finance the Master District Facilities; provided, however, that this provision shall not prevent the Master District from disposing of any portion of the Master District Facilities which has been declared surplus or is no longer needed or useful for the proper operation of the Master District Facilities. Any monies received from the sale of surplus properties may be used

for the replacement of the properties sold. Unless it is so used, it shall be deposited in the Water, Sewer, and Drainage Construction Fund, the Road Construction Fund, or the Park Construction Fund, as appropriate. Issuance of bonds, or contracts payable from the General Fund, the Water, Sewer, and Drainage Construction Fund, the Road Construction Fund, or the Park Construction Fund, or an agreement wherein the Master District employs any person to operate the Master District Facilities, shall not be considered an encumbrance of the Master District Facilities.

Section 11.16: Arbitration. Except as otherwise provided in this Contract, any controversy, dispute, or claim arising out of or relating to this Contract, or any breach thereof, shall be settled by arbitration in accordance with the Commercial Rules of Arbitration of the American Arbitration Association; provided, however, that the arbitrator to whom any controversy, which is subject to arbitration under the terms of this Contract, shall be submitted in accordance with the provisions hereof, shall have jurisdiction and authority to interpret and apply the applicable provisions of this Contract in accordance with the laws of the State of Texas. Such application or interpretation of the provisions of this Contract must be in accordance with the spirit and letter of this Contract. No arbitrator shall have the jurisdiction or authority to add to, take from, nullify, or modify any of the terms of this Contract directly or indirectly, under the guise of interpretation. The arbitrator shall be bound by the facts and evidence submitted to him in the hearing and may not go beyond the terms of this Contract in rendering his award. It is further understood and agreed that the power of the arbitrator shall be strictly limited to determining the meaning and interpretation of the explicit terms of this Contract as herein expressly set forth and that no arbitrator shall have the power to base any award on any alleged practices or oral understandings not incorporated herein. Any award rendered in arbitration proceedings under this Contract shall be subject to judicial review at the insistence of either party for the purpose of determining whether the arbitrator exceeded his power as herein limited, and neither party shall be deemed to have waived its right to such review by proceeding to arbitration. Within his power as herein limited, the arbitrator may enter an award based upon any remedy available to the parties as provided in Section 11.7 of this Contract. Judgment upon the award may be entered in any court having jurisdiction thereof. Any such arbitration proceeding shall be held at the principal offices of the Master District, or such other place in Fort Bend County or Harris County as is designated by the Master District, and any expenses incurred by the Master District in connection with any such arbitration proceeding shall constitute an Operation and Maintenance Expense. The provisions of this section are subject to and shall not be considered as attempting to exclude the jurisdiction of the Commission or any other governmental regulatory authority to arbitrate or settle disputes, hold hearings or enter orders relating to the subject matter of this Contract.

Section 11.17: Modification to Service Area. The Service Area may not be modified to decrease in size unless approved by the District and all Participants and the

City and, if the Master District has issued bonds, the approval of the bondholders if required pursuant to the terms of the Master District Bonds. The Service Area may be enlarged upon the approval of all Participants and the City.

Section 11.18: Merger. This Contract, together with the exhibits attached hereto and made a part hereof for all purposes, constitutes the entire agreement by and between the parties relative to the subject matter hereof and there are no prior effective agreements, whether written or oral.

[EXECUTION PAGE FOLLOWS]

EXECUTED and EFFECTIVE this 13<sup>th</sup> day of May, 2013.

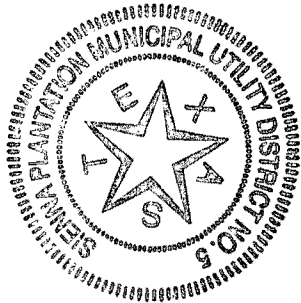
SIENNA PLANTATION MUNICIPAL  
UTILITY DISTRICT NO. 5

By: [Signature]  
President, Board of Directors

ATTEST:

By: [Signature]  
Secretary, Board of Directors

(SEAL)



Address:

c/o Allen Boone Humphries Robinson LLP  
3200 Southwest Freeway, Suite 2600  
Houston, TX 77027

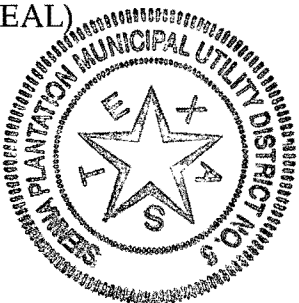
SIENNA PLANTATION MUNICIPAL  
UTILITY DISTRICT NO. 5

By: [Signature]  
President, Board of Directors

ATTEST:

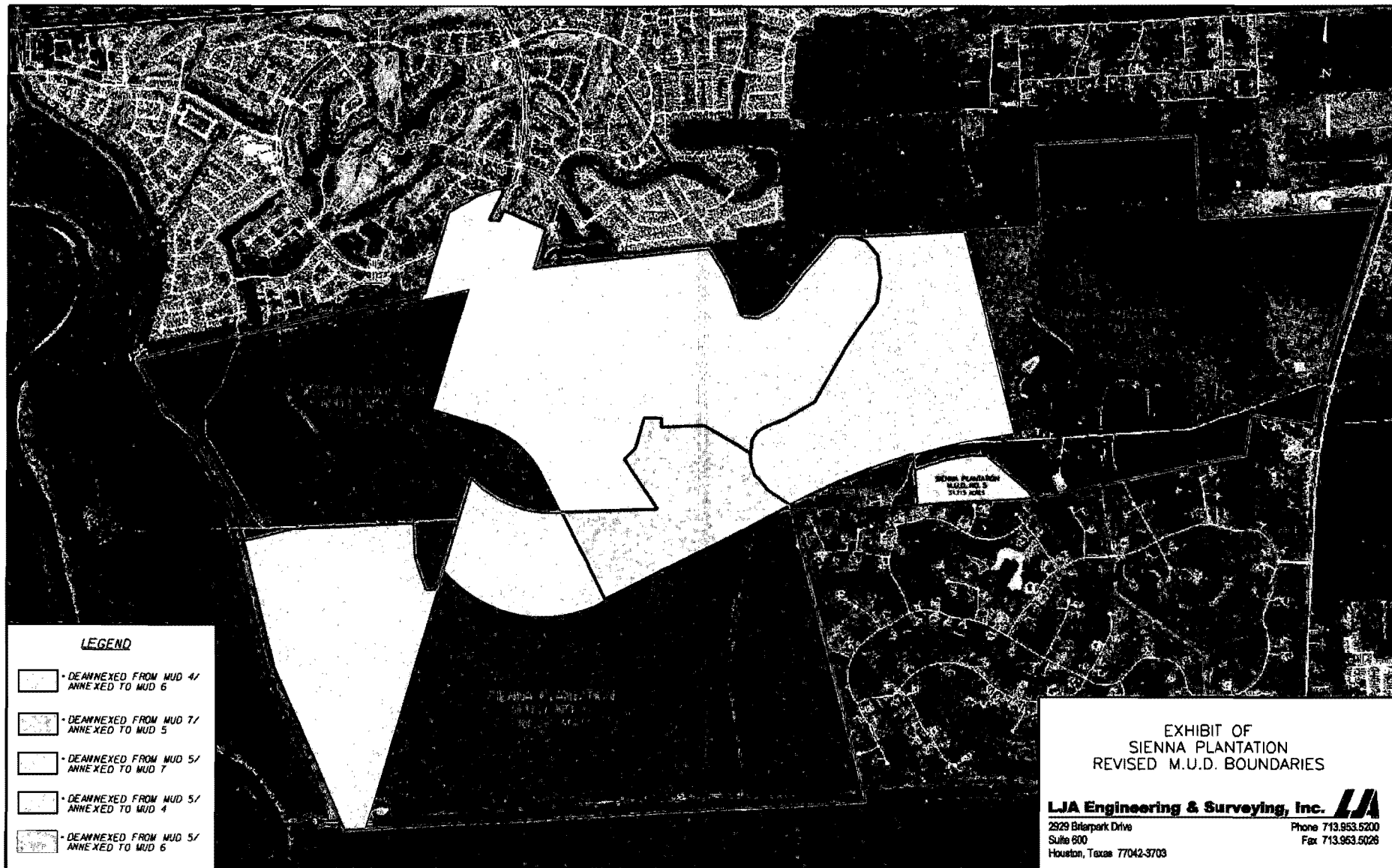
By: [Signature]  
Secretary, Board of Directors

(SEAL)



Address:

c/o Allen Boone Humphries Robinson LLP  
3200 Southwest Freeway, Suite 2600  
Houston, TX 77027



**APPENDIX D**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**





## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$        in aggregate principal amount of

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. 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 AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

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

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

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

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

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

ASSURED GUARANTY INC.

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

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)