

**SAN LEON MUNICIPAL UTILITY DISTRICT**

**GALVESTON COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2021**



**SAN LEON MUNICIPAL UTILITY DISTRICT**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
San Leon Municipal Utility District  
Galveston County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of San Leon Municipal Utility District (the "District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.





Board of Directors  
San Leon Municipal  
Utility District

## Opinions

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 the District as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* and the Other Supplementary Information is presented for purposes of additional analysis and is 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 supplementary information and the other supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

September 21, 2021



**SAN LEON MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

Management's discussion and analysis of San Leon Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes the District's assets, liabilities, and, if applicable, deferred inflows and outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**SAN LEON MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**FUND FINANCIAL STATEMENTS (Continued)**

The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explains the differences between the two presentations and assists in understanding the differences between these two perspectives.

**NOTES TO THE FINANCIAL STATEMENTS**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information ("OSI"). A budgetary comparison schedule is included as RSI for the General Fund. A listing of Principal Taxpayers, Assessed Value by Classifications and Estimated Overlapping Debt are included in the OSI.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$4,377,047 as of June 30, 2021. A portion of the District's net position reflects its net investment in capital assets (water and wastewater facilities as well as vehicles and equipment less any debt used to acquire those assets that is still outstanding).

**SAN LEON MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

A comparative analysis of government-wide changes in net position is presented below:

	Summary of Changes in the Statement of Net Position		
	2021	2020	Change Positive (Negative)
Current and Other Assets	\$ 19,326,914	\$ 26,794,231	\$ (7,467,317)
Capital Assets (Net of Accumulated Depreciation)	19,532,251	11,601,175	7,931,076
Total Assets	\$ 38,859,165	\$ 38,395,406	\$ 463,759
Bonds Payable	\$ 32,615,013	\$ 33,261,899	\$ 646,886
Other Liabilities	2,072,642	836,459	(1,236,183)
Total Liabilities	\$ 34,687,655	\$ 34,098,358	\$ (589,297)
Net Position:			
Net Investment in Capital Assets	\$ 24,517	\$ (473,768)	\$ 498,285
Restricted	2,819,191	2,930,617	(111,426)
Unrestricted	1,533,339	1,840,199	(306,860)
Total Net Position	\$ 4,377,047	\$ 4,297,048	\$ 79,999

\*

The following table provides a summary of the District's operations for the years ending June 30, 2021, and June 30, 2020.

	Summary of Changes in the Statement of Activities		
	2021	2020	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,466,368	\$ 2,426,099	\$ 40,269
Charges for Services	4,209,505	3,952,180	257,325
Other Revenues	148,708	341,403	(192,695)
Total Revenues	\$ 6,824,581	\$ 6,719,682	\$ 104,899
Expenses for Services	6,744,582	7,823,383	1,078,801
Change in Net Position	\$ 79,999	\$ (1,103,701)	\$ 1,183,700
Net Position, Beginning of Year	4,297,048	5,400,749	(1,103,701)
Net Position, End of Year	\$ 4,377,047	\$ 4,297,048	\$ 79,999

\*

\* As adjusted, See Note 16

**SAN LEON MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's combined fund balances as of June 30, 2021, were \$17,122,974, a decrease of \$8,793,088 from the prior year.

The General Fund fund balance decreased by \$302,778, primarily due to operating and maintenance and repair costs exceeding property tax and service revenues.

The Debt Service Fund fund balance decreased by \$205,096, primarily due to the structure of the District's debt service requirements and the sale of refunding bonds.

The Capital Projects Fund fund balance decreased by \$8,285,214, primarily due to capital expenditures related to the Wastewater Treatment Plant Expansion exceeding revenues earned during the year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$141,798 lower than budgeted revenues, primarily due to lower than anticipated water service and wastewater service revenues. Actual expenditures exceeded budgeted expenditures by \$304,230, primarily due to higher than anticipated repairs and maintenance, firefighting service fees, and capital outlay.

**CAPITAL ASSETS**

Capital assets as of June 30, 2021, total \$19,532,251 (net of accumulated depreciation) and include land, buildings, vehicles and equipment as well as the water and wastewater systems. Construction in progress includes costs related to the Wastewater Treatment Plant Expansion.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2021	2020	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 151,807	\$ 151,807	\$
Construction in Progress	8,777,680	518,697	8,258,983
Capital Assets, Net of Accumulated Depreciation:			
Buildings, Vehicles, and Equipment	197,969	210,939	(12,970)
Water System	5,084,947	5,230,129	(145,182)
Wastewater System	5,319,848	5,489,603	(169,755)
Total Net Capital Assets	\$ 19,532,251	\$ 11,601,175	\$ 7,931,076

**SAN LEON MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**LONG-TERM DEBT ACTIVITY**

As of June 30, 2021, the District had total bond debt payable of \$32,255,000. The changes in the debt position of the District during the fiscal year ended June 30, 2021, are summarized as follows:

Bond Debt Payable, July 1, 2020	\$ 33,325,000
Add: Bond Sale - Series 2020 Refunding	6,000,000
Less: Bond Principal Refunded	6,040,000
Less: Bond Principal Paid	<u>1,030,000</u>
Bond Debt Payable, June 30, 2021	<u>\$ 32,255,000</u>

The District's Series 2017, 2019 and 2020 bonds carry insured ratings of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corporation. The District's underlying rating is "A3" (Moody's).

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to San Leon Municipal Utility District, 443 24<sup>th</sup> Street, San Leon, Texas 77539.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**JUNE 30, 2021**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 419,103	\$ 269,352
Investments	1,329,468	2,301,796
Cash with Galveston County Tax Office	2,129	5,004
Receivables:		
Property Taxes	122,246	209,557
Penalty and Interest on Delinquent Taxes		
Service Accounts	401,654	
Due from Other Funds		233,987
Prepaid Costs	14,710	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 2,289,310</b>	<b>\$ 3,019,696</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges on Refunding Bonds	\$ - 0 -	\$ - 0 -
 <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 2,289,310</b>	<b>\$ 3,019,696</b>

The accompanying notes to the financial  
statements are an integral part of this report.



<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 2,073,155	\$ 2,761,610	\$	\$ 2,761,610
12,077,250	15,708,514		15,708,514
	7,133		7,133
	331,803		331,803
		101,490	101,490
	401,654		401,654
	233,987	(233,987)	
	14,710		14,710
		151,807	151,807
		8,777,680	8,777,680
		10,602,764	10,602,764
<u>\$ 14,150,405</u>	<u>\$ 19,459,411</u>	<u>\$ 19,399,754</u>	<u>\$ 38,859,165</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 205,537</u>	<u>\$ 205,537</u>
<u>\$ 14,150,405</u>	<u>\$ 19,459,411</u>	<u>\$ 19,605,291</u>	<u>\$ 39,064,702</u>

The accompanying notes to the financial statements are an integral part of this report.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**JUNE 30, 2021**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 204,058	\$
Accrued Interest Payable		
Retainage Payable		
Due to Other Funds	233,987	
Security Deposits	317,926	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	<b>\$ 755,971</b>	<b>\$ - 0 -</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 122,246	\$ 209,557
<b>FUND BALANCES</b>		
Nonspendable: Prepaid Costs	\$ 14,710	\$
Restricted for Authorized Construction		
Restricted for Debt Service		2,810,139
Unassigned	1,396,383	
<b>TOTAL FUND BALANCES</b>	<b>\$ 1,411,093</b>	<b>\$ 2,810,139</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,289,310</b>	<b>\$ 3,019,696</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

The accompanying notes to the financial  
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 736,705	\$ 940,763	\$	\$ 940,763
		301,995	301,995
511,958	511,958		511,958
	233,987	(233,987)	
	317,926		317,926
		880,000	880,000
		<u>31,735,013</u>	<u>31,735,013</u>
<u>\$ 1,248,663</u>	<u>\$ 2,004,634</u>	<u>\$ 32,683,021</u>	<u>\$ 34,687,655</u>
<u>\$ - 0 -</u>	<u>\$ 331,803</u>	<u>\$ (331,803)</u>	<u>\$ - 0 -</u>
\$	\$ 14,710	(14,710)	\$
12,901,742	12,901,742	(12,901,742)	
	2,810,139	(2,810,139)	
	<u>1,396,383</u>	<u>(1,396,383)</u>	
<u>\$ 12,901,742</u>	<u>\$ 17,122,974</u>	<u>\$ (17,122,974)</u>	<u>\$ - 0 -</u>
<u>\$ 14,150,405</u>	<u>\$ 19,459,411</u>		
		\$ 24,517	\$ 24,517
		2,819,191	2,819,191
		<u>1,533,339</u>	<u>1,533,339</u>
		<u>\$ 4,377,047</u>	<u>\$ 4,377,047</u>

The accompanying notes to the financial statements are an integral part of this report.

**SAN LEON MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021**

Total Fund Balances - Governmental Funds		\$ 17,122,974
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.</p>		205,537
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		19,532,251
<p>Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2020 and prior tax levies became part of recognized revenue in the governmental activities of the District.</p>		433,293
<p>Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:</p>		
Accrued Interest Payable	\$ (301,995)	
Bonds Payable	<u>(32,615,013)</u>	<u>(32,917,008)</u>
Total Net Position - Governmental Activities		<u>\$ 4,377,047</u>

The accompanying notes to the financial statements are an integral part of this report.

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**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 751,952	\$ 1,712,769
Water Service	1,519,381	
Wastewater Service	1,151,441	
Street Lighting	131,181	
Fire Fighting Service	382,604	
Solid Waste Service	591,038	
Penalty and Interest	33,538	83,227
Tap Connection and Inspection Fees	255,605	
Investment and Miscellaneous Revenues	129,562	2,137
	<u>\$ 4,946,302</u>	<u>\$ 1,798,133</u>
<b>TOTAL REVENUES</b>		
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Personnel	\$ 999,616	\$ 26,673
Professional Fees	82,678	815
Contracted Services	1,027,315	
Purchased Water	522,354	
Utilities	129,904	
Repairs and Maintenance	1,806,706	
Street Lighting	63,114	
Depreciation		
Other	600,648	4,250
Capital Outlay	16,745	
Debt Service:		
Bond Issuance Costs		275,704
Transfer to Refunding Bond Escrow Agent		92,978
Bond Principal		1,030,000
Bond Interest		852,683
	<u>\$ 5,249,080</u>	<u>\$ 2,283,103</u>
<b>TOTAL EXPENDITURES/EXPENSES</b>		
<b>EXCESS (DEFICIENCY) OF REVENUES OVER</b>		
<b>EXPENDITURES/EXPENSES</b>	<u>\$ (302,778)</u>	<u>\$ (484,970)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from Issuance of Long-Term Debt	\$	\$ 6,000,000
Payment to Refunded Bond Escrow Agent		(6,045,206)
Bond Premium		325,080
	<u>\$ - 0 -</u>	<u>\$ 279,874</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		
<b>NET CHANGE IN FUND BALANCES</b>	\$ (302,778)	\$ (205,096)
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - JULY 1, 2020,</b>		
<b>AS ADJUSTED</b>	<u>1,713,871</u>	<u>3,015,235</u>
<b>FUND BALANCES/NET POSITION - JUNE 30, 2021</b>	<u>\$ 1,411,093</u>	<u>\$ 2,810,139</u>

The accompanying notes to the financial  
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,464,721	\$ 1,647	\$ 2,466,368
	1,519,381		1,519,381
	1,151,441		1,151,441
	131,181		131,181
	382,604		382,604
	591,038		591,038
	116,765	61,490	178,255
	255,605		255,605
17,009	148,708		148,708
<u>\$ 17,009</u>	<u>\$ 6,761,444</u>	<u>\$ 63,137</u>	<u>\$ 6,824,581</u>
\$	\$ 999,616	\$	\$ 999,616
99	109,450		109,450
	1,028,130		1,028,130
	522,354		522,354
	129,904		129,904
43,141	1,849,847		1,849,847
	63,114		63,114
		344,652	344,652
	604,898		604,898
8,258,983	8,275,728	(8,275,728)	
	275,704		275,704
	92,978	(92,978)	
	1,030,000	(1,030,000)	
	852,683	(35,770)	816,913
<u>\$ 8,302,223</u>	<u>\$ 15,834,406</u>	<u>\$ (9,089,824)</u>	<u>\$ 6,744,582</u>
<u>\$ (8,285,214)</u>	<u>\$ (9,072,962)</u>	<u>\$ 9,152,961</u>	<u>\$ 79,999</u>
\$	\$ 6,000,000	\$ (6,000,000)	\$
	(6,045,206)	6,045,206	
	325,080	(325,080)	
<u>\$ - 0 -</u>	<u>\$ 279,874</u>	<u>\$ (279,874)</u>	<u>\$ - 0 -</u>
\$ (8,285,214)	\$ (8,793,088)	\$ 8,793,088	\$
		79,999	79,999
21,186,956	25,916,062	(21,619,014)	4,297,048
<u>\$ 12,901,742</u>	<u>\$ 17,122,974</u>	<u>\$ (12,745,927)</u>	<u>\$ 4,377,047</u>

The accompanying notes to the financial statements are an integral part of this report.

**SAN LEON MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO  
THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances - Governmental Funds \$ (8,793,088)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	1,647
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	61,490
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(344,652)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	8,275,728
Governmental funds report the bond premium as an other financing use in the year paid. However, in the Statement of Net Position, the bond premium is amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(325,080)
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	1,030,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	35,770
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(6,000,000)
Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.	6,138,184
Change in Net Position - Governmental Activities	\$ <u>79,999</u>

The accompanying notes to the financial statements are an integral part of this report.



**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1. CREATION OF DISTRICT**

San Leon Municipal Utility District, located in Galveston County, Texas, (the “District”), was created May 26, 1965, by House Bill 1082 Chapter 520, Acts of the 59th Legislature of the State of Texas. Pursuant to the provisions of Chapter 49 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collections and disposal including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on March 28, 1973, and the first bonds were sold on July 10, 1975.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality (the “Commission”).

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

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification set forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
All Other Equipment	3-20

Budgeting

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 original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

Payments are made into the Social Security system for employees of the District. In addition, other retirement plan arrangements have been made as further described in Note 10. The Internal Revenue Service has determined that the directors are considered employees for federal payroll tax purposes only. Directors do not participate in the retirement plan.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

*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.

*Restricted*: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

*Committed*: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. 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 expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 3. LONG-TERM DEBT**

	Refunding Series 2012	Series 2017	Series 2019	Refunding Series 2020
Amounts Outstanding – June 30, 2021	\$1,310,000	\$2,715,000	\$22,230,000	\$6,000,000
Interest Rates	3.40%	2.25% - 3.25%	2.00% - 4.00%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2021/2025	September 1, 2021/2037	September 1, 2021/2049	September 1, 2021/2033
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	N/A	September 1, 2024*	September 1, 2026*	September 1, 2028*

\* On any date thereafter, at a price equal to the par value plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Series 2017 term bonds maturing September 1, 2029, September 1, 2031, September 1, 2033, September 1, 2035 and September 1, 2037 are subject to mandatory redemption beginning September 1, 2028, September 1, 2030, September 1, 2032, September 1, 2034 and September 1, 2036, respectively. The Series 2019 term bonds maturing September 1, 2044 and September 1, 2049 are subject to mandatory redemption beginning September 1, 2040 and September 1, 2045, respectively.

As of June 30, 2021, the District had authorized but unissued bonds in the amount of \$22,090,000. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 3. LONG-TERM DEBT (Continued)**

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2021:

	July 1, 2020	Additions	Retirements	June 30, 2021
Bonds Payable	\$ 33,325,000	\$ 6,000,000	\$ 7,070,000	\$ 32,255,000
Unamortized Discounts	(132,297)		(132,297)	
Unamortized Premiums	69,196	325,080	34,263	360,013
Bonds Payable, Net	\$ 33,261,899	\$ 6,325,080	\$ 6,971,966	\$ 32,615,013
		Amount Due Within One Year		\$ 880,000
		Amount Due After One Year		31,735,013
		Bonds Payable, Net		\$ 32,615,013

As of June 30, 2021, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 880,000	\$ 889,644	\$ 1,769,644
2023	930,000	857,894	1,787,894
2024	970,000	826,428	1,796,428
2025	1,015,000	793,573	1,808,573
2026	1,065,000	759,553	1,824,553
2027-2031	6,185,000	3,297,685	9,482,685
2032-2036	6,225,000	2,541,302	8,766,302
2037-2041	4,545,000	1,878,973	6,423,973
2042-2046	5,230,000	1,189,050	6,419,050
2047-2050	5,210,000	322,050	5,532,050
	\$ 32,255,000	\$ 13,356,152	\$ 45,611,152

During the year ended June 30, 2021, the District levied an ad valorem debt service tax rate of \$0.39 per \$100 of assessed valuation, which resulted in a tax levy of \$1,723,597 on the adjusted taxable valuation of \$441,687,315 for the 2020 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 8 for the maintenance tax levy.

All property values and exempt status, if any, are determined by the 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 levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**

The bond orders state that the District is required to provide continuing disclosure of certain general financial information included in an annual audit to certain information repositories. The audit, which includes audited annual financial statements, is to be provided at the end of each fiscal year and shall continue to be provided through the life of the bonds.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$2,761,610 and the bank balance was \$2,830,351. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2021, as listed below:

	Cash
GENERAL FUND	\$ 419,103
DEBT SERVICE FUND	269,352
CAPITAL PROJECTS FUND	2,073,155
TOTAL DEPOSITS	\$ 2,761,610



**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

The District invests in the Texas Short Term Asset Reserve Program ("TexSTAR"), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

As of June 30, 2021, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 1,329,468	\$ 1,329,468
<u>DEBT SERVICE FUND</u>		
TexPool	2,042,804	2,042,804
TexSTAR	258,992	258,992
<u>CAPITAL PROJECTS FUND</u>		
TexSTAR	<u>12,077,250</u>	<u>12,077,250</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 15,708,514</u></b>	<b><u>\$ 15,708,514</u></b>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2021, the District's investments in TexPool and TexSTAR were rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and TexSTAR to have maturities of less than one year due to the fact the share positions can be redeemed each day at the discretion of the District.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

**NOTE 6. 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 natural disasters from which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 7. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2021 is as follows:

	July 1, 2020	Increases	Decreases	June 30, 2021
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 151,807	\$	\$	\$ 151,807
Construction in Progress	518,697	8,275,728	16,745	8,777,680
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 670,504</u>	<u>\$ 8,275,728</u>	<u>\$ 16,745</u>	<u>\$ 8,929,487</u>
<b>Capital Assets Subject to Depreciation</b>				
Buildings, Vehicles, and Equipment	\$ 964,807	\$ 16,745	\$	\$ 981,552
Water System	7,682,146			7,682,146
Wastewater System	10,726,611			10,726,611
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 19,373,564</u>	<u>\$ 16,745</u>	<u>\$ - 0 -</u>	<u>\$ 19,390,309</u>
<b>Less Accumulated Depreciation</b>				
Buildings, Vehicles, and Equipment	\$ 753,868	\$ 29,715	\$	\$ 783,583
Water System	2,452,017	145,182		2,597,199
Wastewater System	5,237,008	169,755		5,406,763
<b>Total Accumulated Depreciation</b>	<u>\$ 8,442,893</u>	<u>\$ 344,652</u>	<u>\$ - 0 -</u>	<u>\$ 8,787,545</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 10,930,671</u>	<u>\$ (327,907)</u>	<u>\$ - 0 -</u>	<u>\$ 10,602,764</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 11,601,175</u>	<u>\$ 7,947,821</u>	<u>\$ 16,745</u>	<u>\$ 19,532,251</u>

**NOTE 8. MAINTENANCE TAX**

On August 14, 1999, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.30 per \$100 of assessed valuation of taxable property within the District. During the year ended June 30, 2021, the District levied an ad valorem maintenance tax rate of \$0.17 per \$100 of assessed valuation, which resulted in a tax levy of \$751,413 on the adjusted taxable valuation of \$441,687,315 for the 2020 tax year. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's water and sewer system.

**NOTE 9. SURFACE WATER SUPPLY CONTRACT**

On May 13, 1985, the District executed an agreement with the Galveston County Water Authority, presently known as the Gulf Coast Water Authority (the "Authority"). This agreement has been subsequently amended. The contract allows the Authority to acquire, construct and operate a water treatment plant and related water supply system in order to provide potable water to its customers. Charges to the District include its allocation of raw water charges, capital charges and operating and maintenance charges. During the current fiscal year, the District recorded \$522,354 in water costs attributable to this contract. The term of this agreement was extended through December 31, 2027.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 10. RETIREMENT PLAN**

On March 1, 1997, the District implemented a Simple Individual Retirement Account (IRA) to benefit the employees of the District. This retirement plan calls for the District to match up to 3% of each employee's contribution based on employee gross wages. The accounts are set up in each participating employee's name and are the property of the named employee. During the current year, the District's share of cost associated with this plan was \$17,344.

**NOTE 11. STREET LIGHTING**

On April 23, 1997, the Texas Legislature passed a bill which allows the District, with voter approval, to install, operate and maintain street lighting. The District can assess the cost of installation, operating and maintaining the street lighting as an additional charge on the monthly billings of the District's customers. In November 1999, the voters of the District approved street lighting for the District. The current street lighting charge is \$3.95 per month per customer. During the current year, the District recorded \$131,181 in revenues and \$63,114 in costs related to street lighting.

**NOTE 12. FIRE PREVENTION SERVICES**

On August 10, 1982 the District entered into a Fire Prevention Service Agreement with San Leon Volunteer Fire Department. This agreement was amended in 1998, 2006, 2009 and 2011. Effective March 22, 2011, the District began billing a mandatory fee of \$8.00 per month per customer for fire prevention services which was increased to \$10.00 on August 29, 2019. During the current fiscal year, the District received \$382,604 in fire prevention service revenues.

**NOTE 13. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

As of June 30, 2021, the General Fund recorded a payable in the amount of \$233,987 to the Debt Service Fund for debt service tax collections.

**NOTE 14. REFUNDING BOND SALE**

On August 19, 2020, the District closed on the sale of its Series 2020 Unlimited Tax Refunding Bonds in the amount of \$6,000,000 to refund the Series 2013 bonds. The net proceeds of the bond sale and \$92,978 of available Debt Service funds were used to retire \$6,040,000 in principal of the District's Unlimited Tax Bonds, Series 2013, with maturity dates of 2021-2033, interest rates of 3.00%-3.50% and a redemption date of September 1, 2020. The refunding resulted in gross debt service savings of \$570,212 and net present value savings of \$501,230.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 15. ECONOMIC UNCERTAINTIES**

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. Since that time, the District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19. The District will continue to carefully monitor the situation and evaluate the financial statement impact, if any, that results from the pandemic.

**NOTE 16. PRIOR PERIOD ADJUSTMENT**

During the current fiscal year, it was determined that garbage expenses for July 2020 Services were recorded in the prior fiscal year. In order to appropriately account for garbage expense for the current fiscal year, a prior period adjustment has been recorded. The effects of these changes are as follows:

Net Position - July 1, 2020	\$ 4,246,090
Effect of the adjustment	50,958
Net Position - July 1, 2020, As Adjusted	<u>\$ 4,297,048</u>
General Fund Fund Balance - July 1, 2020	\$ 1,662,913
Effect of the adjustment	50,958
General Fund Fund Balance - July 1, 2020, As Adjusted	<u>\$ 1,713,871</u>

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**SAN LEON MUNICIPAL UTILITY DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2021**





**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 750,000	\$ 751,952	\$ 1,952
Water Service	1,550,000	1,519,381	(30,619)
Wastewater Service	1,350,000	1,151,441	(198,559)
Street Lighting	125,000	131,181	6,181
Fire Fighting Service	325,000	382,604	57,604
Solid Waste Service	550,000	591,038	41,038
Penalty and Interest	32,000	33,538	1,538
Tap Connection and Inspection Fees	274,000	255,605	(18,395)
Investment and Miscellaneous Revenues	132,100	129,562	(2,538)
<b>TOTAL REVENUES</b>	<u>\$ 5,088,100</u>	<u>\$ 4,946,302</u>	<u>\$ (141,798)</u>
<b>EXPENDITURES</b>			
Service Operations:			
Personnel	\$ 983,700	\$ 999,616	\$ (15,916)
Professional Fees	123,000	82,678	40,322
Fire Fighting	325,000	382,614	(57,614)
Solid Waste Disposal	600,000	625,523	(25,523)
Purchased Water	535,000	522,354	12,646
Utilities	123,000	129,904	(6,904)
Repairs and Maintenance	1,555,000	1,806,706	(251,706)
Street Lighting	80,000	63,114	16,886
Other	620,150	619,826	324
Capital Outlay		16,745	(16,745)
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,944,850</u>	<u>\$ 5,249,080</u>	<u>\$ (304,230)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 143,250</u>	<u>\$ (302,778)</u>	<u>\$ (446,028)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 143,250	\$ (302,778)	\$ (446,028)
<b>FUND BALANCE - JULY 1, 2020</b>	<u>1,713,871</u>	<u>1,713,871</u>	
<b>FUND BALANCE - JUNE 30, 2021</b>	<u>\$ 1,857,121</u>	<u>\$ 1,411,093</u>	<u>\$ (446,028)</u>

See accompanying independent auditor's report.

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**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**  
**JUNE 30, 2021**



**SAN LEON MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED JUNE 30, 2021**

**1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:**

<u>  X  </u>	Retail Water	<u>      </u>	Wholesale Water	<u>      </u>	Drainage
<u>  X  </u>	Retail Sewer	<u>      </u>	Wholesale Wastewater	<u>      </u>	Irrigation
<u>      </u>	Parks/Recreation	<u>  X  </u>	Fire Protection	<u>      </u>	Security
<u>  X  </u>	Solid Waste/Garbage	<u>      </u>	Flood Control	<u>      </u>	Roads
<u>      </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u>  X  </u>	Other (specify): <u>Street Lights</u>				

**2. RETAIL SERVICE PROVIDERS**

**a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):**

Based on the rate order effective September 15, 2020.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 20.00	2,000	N	\$ 5.50	2,001 to 4,000
				\$ 5.75	4,001 to 7,000
				\$ 6.00	7,001 to 10,000
				\$ 6.25	10,001 to 24,000
				\$ 6.50	24,001 to 44,000
				\$ 6.75	44,001 to 75,000
				\$ 7.00	75,001 and up
WASTEWATER:	\$ 20.00	2,000	N	\$ 4.50	2,001 to 4,000
				\$ 4.75	4,001 to 7,000
				\$ 5.00	7,001 to 10,000
				\$ 5.25	10,001 and up

**SURCHARGE:**

Commission	
Regulatory Assessments	0.5% of water and sewer bill
Street Lights	\$ 3.95
VFD	\$ 10.00
Garbage	\$ 19.00

District employs winter averaging for wastewater usage?          X    
Yes            No

Total monthly charges per 10,000 gallons usage: Water: \$66.25      Wastewater: \$58.25      Surcharge: \$33.57

See accompanying independent auditor's report.

**SAN LEON MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED JUNE 30, 2021**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤¾"	<u>3,265</u>	<u>2,879</u>	x 1.0	<u>2,879</u>
1"	<u>107</u>	<u>102</u>	x 2.5	<u>255</u>
1½"	_____	_____	x 5.0	_____
2"	<u>36</u>	<u>33</u>	x 8.0	<u>264</u>
3"	_____	_____	x 15.0	_____
4"	<u>2</u>	<u>2</u>	x 25.0	<u>50</u>
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water Connections	<u>3,410</u>	<u>3,016</u>		<u>3,448</u>
Total Wastewater Connections	<u>3,339</u>	<u>2,945</u>	x 1.0	<u>2,945</u>

**3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited):**

Gallons billed to customers:	169,262,000	Water Accountability Ratio: 73.4 % (Gallons billed/Gallons purchased)
Gallons purchased:	230,619,000	From: <u>Gulf Coast Water Authority</u>

See accompanying independent auditor's report.

**SAN LEON MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED JUNE 30, 2021**

**4. STANDBY FEES** (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes  No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes  No

County in which District is located:

Galveston County, Texas

Is the District located within a city is extraterritorial jurisdiction (ETJ)?

Entirely  Partly  Not at all

ETJ in which district is located:

City of Texas City, Texas

Are Board Members appointed by an office outside the District?

Yes  No

See accompanying independent auditor's report.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

PERSONNEL EXPENDITURES (Including Benefits)	
Salaries	\$ 721,594
Payroll Taxes	59,955
Pension	17,344
Payroll Service	3,098
Insurance	<u>197,625</u>
TOTAL PERSONNEL EXPENDITURES	<u>\$ 999,616</u>
PROFESSIONAL FEES:	
Auditing	\$ 27,000
Engineering	30,440
Legal	22,738
Financial Advisor	<u>2,500</u>
TOTAL PROFESSIONAL FEES	<u>\$ 82,678</u>
PURCHASED WATER SERVICE	<u>\$ 522,354</u>
CONTRACTED SERVICES:	
Fire Fighting	\$ 382,614
Solid Waste Disposal	625,523
Tax Collection and Appraisal District	<u>19,178</u>
TOTAL CONTRACTED SERVICES	<u>\$ 1,027,315</u>
UTILITIES:	
Electricity	\$ 113,134
Telephone	<u>16,770</u>
TOTAL UTILITIES	<u>\$ 129,904</u>
REPAIRS AND MAINTENANCE	<u>\$ 1,806,706</u>

See accompanying independent auditor's report.



**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

ADMINISTRATIVE EXPENDITURES:	
Computer/Internet	\$ 40,967
Director Fees, including Payroll Taxes	9,880
Dues	1,431
Insurance	87,727
Legal Notices	14,323
Office Supplies and Postage	46,524
Rents and Leases	8,308
Election Costs	12,917
Training	9,091
Travel and Meetings	3,922
Security Network, Cameras and Entry Locks	13,410
Bank Charges	17,077
Other	<u>8,234</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 273,811</u>
 CAPITAL OUTLAY	 <u>\$ 16,745</u>
 STREET LIGHTING	 <u>\$ 63,114</u>
 OTHER EXPENDITURES:	
Annual Support Agreements	\$ 16,003
Auto and Vehicle Expenditures	70,026
Chemicals	31,795
Fuel	13,698
Laboratory Fees	21,020
Permit Fees	17,058
Regulatory Assessment	12,661
Sludge Hauling	125,054
Small Tools and Equipment	7,358
Uniforms	<u>12,164</u>
TOTAL OTHER EXPENDITURES	<u>\$ 326,837</u>
TOTAL EXPENDITURES	<u><u>\$ 5,249,080</u></u>

Number of persons employed by the District      14 Full-Time      0 Part-Time

See accompanying independent auditor's report.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**INVESTMENTS**  
**JUNE 30, 2021**

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 1,100,721	\$
TexPool	XXXX0004	Varies	Daily	228,747	
TOTAL GENERAL FUND				<u>\$ 1,329,468</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0006	Varies	Daily	\$ 2,042,804	\$
TexSTAR	XXXX7900	Varies	Daily	258,992	
TOTAL DEBT SERVICE FUND				<u>\$ 2,301,796</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexSTAR	XXXX0170	Varies	Daily	\$ 313,063	\$
TexSTAR	XXXX0190	Varies	Daily	11,764,187	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 12,077,250</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 15,708,514</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JULY 1, 2020	\$	126,328	\$	203,828
Adjustments to Beginning				
Balance		<u>(3,543)</u>	\$	<u>(5,099)</u>
		\$	122,785	\$
				198,729
Original 2020 Tax Levy	\$	706,033	\$	1,619,504
Adjustment to 2020 Tax Levy		<u>45,380</u>	<u>751,413</u>	<u>104,093</u>
				<u>1,723,597</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	874,198	\$
				1,922,326
TAX COLLECTIONS:				
Prior Years	\$	52,484	\$	108,323
Current Year		<u>699,468</u>	<u>751,952</u>	<u>1,604,446</u>
				<u>1,712,769</u>
TAXES RECEIVABLE -				
JUNE 30, 2021		<u>\$</u>	<u>122,246</u>	<u>\$</u>
				<u>209,557</u>
TAXES RECEIVABLE BY				
YEAR:				
2020	\$	51,945	\$	119,151
2019		16,781		41,955
2018		14,579		9,719
2017		6,811		9,170
2016		4,204		5,064
2015		3,314		4,627
2014		1,970		3,942
2013		1,672		3,343
2012		3,170		1,585
2011		2,652		1,326
2010		2,609		1,304
2009		1,566		783
2008		1,175		588
2007 and Prior		<u>9,798</u>		<u>7,000</u>
TOTAL	\$	<u>122,246</u>	\$	<u>209,557</u>

See accompanying independent auditor's report.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	2020	2019	2018	2017
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 198,108,097	\$ 142,004,599	\$ 135,855,042	\$ 117,759,355
Improvements	352,102,453	317,776,151	300,359,958	267,754,377
Personal Property	10,137,890	9,111,180	8,830,938	8,552,844
Exemptions	(118,661,125)	(83,347,812)	(86,438,726)	(92,369,056)
<b>TOTAL PROPERTY VALUATIONS</b>	<b>\$ 441,687,315</b>	<b>\$ 385,544,118</b>	<b>\$ 358,607,212</b>	<b>\$ 301,697,520</b>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.3900	\$ 0.4500	\$ 0.1800	\$ 0.2582
Maintenance	0.1700	0.1800	0.2700	0.1918
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<b>\$ 0.5600</b>	<b>\$ 0.6300</b>	<b>\$ 0.4500</b>	<b>\$ 0.4500</b>
<b>ADJUSTED TAX LEVY*</b>	<b>\$ 2,475,010</b>	<b>\$ 2,431,431</b>	<b>\$ 1,615,297</b>	<b>\$ 1,530,523</b>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<b>93.09 %</b>	<b>97.58 %</b>	<b>98.50 %</b>	<b>98.96 %</b>

\* Based upon the adjusted tax levy at the time of audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$0.30 per \$100 of assessed valuation approved by voters on August 14, 1999.

See accompanying independent auditor's report.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2021**

REFUNDING SERIES - 2012

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2022	\$ 245,000	\$ 40,375	\$ 285,375
2023	255,000	31,875	286,875
2024	265,000	23,035	288,035
2025	275,000	13,855	288,855
2026	270,000	4,590	274,590
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
	<u>\$ 1,310,000</u>	<u>\$ 113,730</u>	<u>\$ 1,423,730</u>

See accompanying independent auditor's report.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2021**

S E R I E S - 2 0 1 7

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2022	\$ 105,000	\$ 79,031	\$ 184,031
2023	110,000	75,806	185,806
2024	115,000	72,431	187,431
2025	120,000	68,906	188,906
2026	125,000	65,700	190,700
2027	135,000	62,691	197,691
2028	140,000	59,338	199,338
2029	145,000	55,413	200,413
2030	155,000	50,913	205,913
2031	165,000	46,113	211,113
2032	170,000	41,088	211,088
2033	180,000	35,838	215,838
2034	190,000	30,288	220,288
2035	200,000	24,313	224,313
2036	210,000	17,907	227,907
2037	220,000	11,051	231,051
2038	230,000	3,738	233,738
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
	<u>\$ 2,715,000</u>	<u>\$ 800,565</u>	<u>\$ 3,515,565</u>

See accompanying independent auditor's report.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2021**

S E R I E S - 2 0 1 9

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2022	\$ 355,000	\$ 617,538	\$ 972,538
2023	375,000	604,813	979,813
2024	395,000	593,262	988,262
2025	415,000	581,112	996,112
2026	435,000	568,363	1,003,363
2027	455,000	555,013	1,010,013
2028	480,000	540,988	1,020,988
2029	500,000	528,787	1,028,787
2030	525,000	518,538	1,043,538
2031	555,000	507,391	1,062,391
2032	580,000	494,969	1,074,969
2033	610,000	481,580	1,091,580
2034	640,000	467,119	1,107,119
2035	670,000	451,144	1,121,144
2036	705,000	433,956	1,138,956
2037	740,000	415,431	1,155,431
2038	780,000	395,481	1,175,481
2039	815,000	374,547	1,189,547
2040	860,000	352,025	1,212,025
2041	900,000	326,700	1,226,700
2042	945,000	299,025	1,244,025
2043	995,000	269,925	1,264,925
2044	1,045,000	239,325	1,284,325
2045	1,095,000	207,225	1,302,225
2046	1,150,000	173,550	1,323,550
2047	1,210,000	138,150	1,348,150
2048	1,270,000	100,950	1,370,950
2049	1,330,000	61,950	1,391,950
2050	1,400,000	21,000	1,421,000
	<u>\$ 22,230,000</u>	<u>\$ 11,319,857</u>	<u>\$ 33,549,857</u>

See accompanying independent auditor's report.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2021**

REFUNDING SERIES - 2020

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2022	\$ 175,000	\$ 152,700	\$ 327,700
2023	190,000	145,400	335,400
2024	195,000	137,700	332,700
2025	205,000	129,700	334,700
2026	235,000	120,900	355,900
2027	530,000	105,600	635,600
2028	560,000	86,600	646,600
2029	590,000	72,300	662,300
2030	615,000	60,250	675,250
2031	635,000	47,750	682,750
2032	665,000	34,750	699,750
2033	690,000	21,200	711,200
2034	715,000	7,150	722,150
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
	<u>\$ 6,000,000</u>	<u>\$ 1,122,000</u>	<u>\$ 7,122,000</u>

See accompanying independent auditor's report.



**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2021**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2022	\$ 880,000	\$ 889,644	\$ 1,769,644
2023	930,000	857,894	1,787,894
2024	970,000	826,428	1,796,428
2025	1,015,000	793,573	1,808,573
2026	1,065,000	759,553	1,824,553
2027	1,120,000	723,304	1,843,304
2028	1,180,000	686,926	1,866,926
2029	1,235,000	656,500	1,891,500
2030	1,295,000	629,701	1,924,701
2031	1,355,000	601,254	1,956,254
2032	1,415,000	570,807	1,985,807
2033	1,480,000	538,618	2,018,618
2034	1,545,000	504,557	2,049,557
2035	870,000	475,457	1,345,457
2036	915,000	451,863	1,366,863
2037	960,000	426,482	1,386,482
2038	1,010,000	399,219	1,409,219
2039	815,000	374,547	1,189,547
2040	860,000	352,025	1,212,025
2041	900,000	326,700	1,226,700
2042	945,000	299,025	1,244,025
2043	995,000	269,925	1,264,925
2044	1,045,000	239,325	1,284,325
2045	1,095,000	207,225	1,302,225
2046	1,150,000	173,550	1,323,550
2047	1,210,000	138,150	1,348,150
2048	1,270,000	100,950	1,370,950
2049	1,330,000	61,950	1,391,950
2050	1,400,000	21,000	1,421,000
	<u>\$ 32,255,000</u>	<u>\$ 13,356,152</u>	<u>\$ 45,611,152</u>

See accompanying independent auditor's report.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Description	Original Bonds Issued	Bonds Outstanding July 1, 2020
San Leon Municipal Utility District Unlimited Tax Refunding Bonds - Series 2012	\$ 3,055,000	\$ 1,550,000
San Leon Municipal Utility District Unlimited Tax Bonds - Series 2013	7,000,000	6,210,000
San Leon Municipal Utility District Unlimited Tax Bonds - Series 2017	3,000,000	2,815,000
San Leon Municipal Utility District Unlimited Tax Bonds - Series 2019	22,750,000	22,750,000
San Leon Municipal Utility District Unlimited Tax Refunding Bonds - Series 2020	<u>6,000,000</u>	<u>                    </u>
<b>TOTAL</b>	<u>\$ 41,805,000</u>	<u>\$ 33,325,000</u>
Bond Authority:	<u>Tax Bonds</u>	
Amount Authorized by Voters	\$ 61,500,000	
Amount Issued	<u>39,410,000</u>	
Remaining to be Issued	<u>\$ 22,090,000</u>	
Debt Service Fund cash, investments and cash with tax office balances as of June 30, 2021:		<u>\$ 2,576,152</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 1,572,798</u>

See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding June 30, 2021</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 240,000	\$ 48,620	\$ 1,310,000	Branch Banking and Trust Company Charlotte, NC
	6,210,000	3,612	-0-	Amegy Bank National Association Houston, Texas
	100,000	82,106	2,715,000	Amegy Bank National Association Houston, Texas
	520,000	635,038	22,230,000	Amegy Bank National Association Houston, Texas
<u>6,000,000</u>		<u>83,307</u>	<u>6,000,000</u>	Amegy Bank National Association Houston, Texas
<u>\$ 6,000,000</u>	<u>\$ 7,070,000</u>	<u>\$ 852,683</u>	<u>\$ 32,255,000</u>	

See accompanying independent auditor's report.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	Amounts		
	2021	2020	2019
<b>REVENUES</b>			
Property Taxes	\$ 751,952	\$ 704,467	\$ 936,834
Water Service	1,519,381	1,465,771	1,352,900
Wastewater Service	1,151,441	1,067,715	1,029,799
Street Lighting	131,181	127,208	124,587
Fire Fighting Service	382,604	355,110	264,318
Solid Waste Service	591,038	557,894	561,140
Penalty and Interest	33,538	26,189	34,444
Tap Connection and Inspection Fees	255,605	287,740	268,685
Investment and Miscellaneous Revenues	129,562	192,200	127,887
<b>TOTAL REVENUES</b>	<b>\$ 4,946,302</b>	<b>\$ 4,784,294</b>	<b>\$ 4,700,594</b>
<b>EXPENDITURES</b>			
Personnel	\$ 999,616	\$ 956,143	\$ 929,969
Professional Fees	82,678	85,995	142,376
Contracted Services	1,027,315	974,543	881,267
Purchased Water	522,354	533,895	514,338
Utilities	129,904	139,969	116,562
Repairs and Maintenance	1,806,706	1,823,419	1,253,521
Street Lighting	63,114	76,323	73,372
Other	600,648	547,125	668,056
Capital Outlay	16,745		
Debt Service:			
Note Principal			29,478
Note Interest			553
<b>TOTAL EXPENDITURES</b>	<b>\$ 5,249,080</b>	<b>\$ 5,137,412</b>	<b>\$ 4,609,492</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (302,778)</b>	<b>\$ (353,118)</b>	<b>\$ 91,102</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Note Proceeds	\$	\$	\$
Transfers In(Out)	_____	64,538	731,483
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ - 0 -</b>	<b>\$ 64,538</b>	<b>\$ 731,483</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (302,778)</b>	<b>\$ (288,580)</b>	<b>\$ 822,585</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	50,958		
<b>BEGINNING FUND BALANCE</b>	1,662,913	1,951,493	1,128,908
<b>ENDING FUND BALANCE</b>	<b>\$ 1,411,093</b>	<b>\$ 1,662,913</b>	<b>\$ 1,951,493</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2018	2017	2021	2020	2019	2018	2017
\$ 628,487	\$ 550,579	15.2 %	14.6 %	20.0 %	15.7 %	14.9 %
1,173,498	1,115,885	30.7	30.6	28.8	29.2	30.3
920,195	895,413	23.3	22.3	21.9	22.9	24.3
127,059	126,999	2.7	2.7	2.7	3.2	3.4
273,152	273,616	7.7	7.4	5.6	6.8	7.4
572,346	284,769	11.9	11.7	11.9	14.2	7.7
33,242	35,419	0.7	0.5	0.7	0.8	1.0
141,295	242,080	5.2	6.0	5.7	3.5	6.6
149,406	164,026	2.6	4.0	2.7	3.7	4.4
<u>\$ 4,018,680</u>	<u>\$ 3,688,786</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 875,399	\$ 910,236	20.2 %	20.0 %	19.8 %	21.8 %	24.7 %
151,469	317,231	1.7	1.8	3.0	3.8	8.6
875,615	595,865	20.8	20.4	18.7	21.8	16.2
466,145	436,831	10.6	11.2	10.9	11.6	11.8
126,693	121,567	2.6	2.9	2.5	3.2	3.3
326,418	236,383	36.5	38.1	26.7	8.1	6.4
73,743	71,871	1.3	1.6	1.6	1.8	1.9
1,080,906	758,297	12.1	11.4	14.2	26.9	20.6
787,160	301,782	0.3			19.6	8.2
38,388	38,100			0.6	1.0	1.0
1,978	3,401					0.1
<u>\$ 4,803,914</u>	<u>\$ 3,791,564</u>	<u>106.1 %</u>	<u>107.4 %</u>	<u>98.0 %</u>	<u>119.6 %</u>	<u>102.8 %</u>
<u>\$ (785,234)</u>	<u>\$ (102,778)</u>	<u>(6.1) %</u>	<u>(7.4) %</u>	<u>2.0 %</u>	<u>(19.6) %</u>	<u>(2.8) %</u>
\$	\$ 33,913					
<u>266,123</u>	<u>233,139</u>					
<u>\$ 266,123</u>	<u>\$ 267,052</u>					
\$ (519,111)	\$ 164,274					
<u>1,648,019</u>	<u>1,483,745</u>					
<u>\$ 1,128,908</u>	<u>\$ 1,648,019</u>					

See accompanying independent auditor's report.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2021	2020	2019
<b>REVENUES</b>			
Property Taxes	\$ 1,712,769	\$ 1,648,858	\$ 652,330
Penalty and Interest	83,227	64,553	57,456
Investment and Miscellaneous Revenues	<u>2,137</u>	<u>20,820</u>	<u>25,790</u>
<b>TOTAL REVENUES</b>	<u>\$ 1,798,133</u>	<u>\$ 1,734,231</u>	<u>\$ 735,576</u>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 27,488	\$ 17,662	\$ 18,268
Debt Service Principal	1,030,000	490,000	465,000
Debt Service Interest and Fees	856,933	530,544	366,724
Transfer to Refunding Escrow Agent	92,978		
Bond Issuance Costs	<u>275,704</u>		
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,283,103</u>	<u>\$ 1,038,206</u>	<u>\$ 849,992</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (484,970)</u>	<u>\$ 696,025</u>	<u>\$ (114,416)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Issuance of Long-Term Debt	\$ 6,000,000	\$ 672,065	\$
Transfer to Refunding Escrow Agent	(6,045,206)		
Bond Premium	<u>325,080</u>		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ 279,874</u>	<u>\$ 672,065</u>	<u>\$ - 0 -</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (205,096)	\$ 1,368,090	\$ (114,416)
<b>BEGINNING FUND BALANCE</b>	<u>3,015,235</u>	<u>1,647,145</u>	<u>1,761,561</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 2,810,139</u>	<u>\$ 3,015,235</u>	<u>\$ 1,647,145</u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>3,016</u>	<u>2,983</u>	<u>2,893</u>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>2,945</u>	<u>2,912</u>	<u>2,848</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2018	2017	2021	2020	2019	2018	2017
\$ 843,259	\$ 667,937	95.3 %	95.1 %	88.7 %	92.5 %	92.8 %
55,427	46,944	4.6	3.7	7.8	6.1	6.5
12,624	4,776	0.1	1.2	3.5	1.4	0.7
<u>\$ 911,310</u>	<u>\$ 719,657</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 12,000	\$ 14,185	1.5 %	1.0 %	2.5 %	1.3 %	2.0 %
360,000	350,000	57.3	28.3	63.2	39.5	48.6
321,908	305,517	47.7	30.6	49.9	35.3	42.5
		5.2				
		15.3				
<u>\$ 693,908</u>	<u>\$ 669,702</u>	<u>127.0 %</u>	<u>59.9 %</u>	<u>115.6 %</u>	<u>76.1 %</u>	<u>93.1 %</u>
\$ 217,402	\$ 49,955	(27.0) %	40.1 %	(15.6) %	23.9 %	6.9 %
\$ 95,880	\$					
<u>\$ 95,880</u>	<u>\$ - 0 -</u>					
\$ 313,282	\$ 49,955					
1,448,279	1,398,324					
<u>\$ 1,761,561</u>	<u>\$ 1,448,279</u>					
<u>2,783</u>	<u>2,719</u>					
<u>2,725</u>	<u>2,661</u>					

See accompanying independent auditor's report.

**SAN LEON MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
JUNE 30, 2021**

District Mailing Address - San Leon Municipal Utility District  
443 24<sup>th</sup> Street  
San Leon, TX 77539

District's Telephone Number - (281) 339-1586

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees of office for the year ended <u>June 30, 2021</u>	Expense Reimbursements for the year ended <u>June 30, 2021</u>	<u>Title</u>
Kelly Neason	05/18 05/22 (Elected)	\$ 1,050	\$ -0-	President
Kenneth Bishop	11/20 05/24 (Elected)	\$ 2,250	\$ 265	Vice President
Keith Gossett	11/20 05/24 (Elected)	\$ 2,100	\$ -0-	Secretary
Sheryl Hayslip-Bahena	11/20 05/22 (Appointed)	\$ 1,200	\$ 132	Treasurer/ Investment Officer
Curtis Anderson	01/21 05/22 (Appointed)	\$ 900	\$ -0-	Assistant Secretary

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

Submission date of most recent District Registration Form: January 26, 2021

Limit on Fees of Office that a Director may receive during a fiscal year \$7,200 as set by Board Resolution (TWC Section 49.060) on August 13, 2005. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.



**SAN LEON MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
JUNE 30, 2021**

	<u>Date Hired</u>	<u>Fees/ Compensation for the fiscal year ended June 30, 2021</u>	<u>Title</u>
<b>Key Administrative Personnel:</b>			
Janice Hoffman	07/23/95	\$ 86,569	Office Manager
Andrew Miller	01/17/18	\$ 85,107	District Manager
Ken Keller	04/96	\$ 81,973	Field Supervisor
<b>Consultants:</b>			
Reid, Strickland & Gillette	Prior to 1992	\$ 22,738 \$ 10,000	General Counsel Co-Bond Counsel
Baker Williams Mathieson, LLP		\$ 57,000	Co-Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	06/20/95	\$ 24,500	Auditor
Linebarger Goggan Blair and Sampson, LLP	1992	\$ 26,673	Delinquent Tax Attorney
Costello, Inc.	05/16/18	\$ 170,341	Engineer
SAMCO Capital Markets	06/22/03	\$ 72,000	Financial Advisor
Galveston County Tax Assessor	9/2002	\$ 1,203	Tax Collector

See accompanying independent auditor's report.

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**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**OTHER SUPPLEMENTARY INFORMATION**



**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**PRINCIPAL TAXPAYERS**  
**JUNE 30, 2021**  
**(UNAUDITED)**

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Taxable Value by Tax Year</u>	
		<u>2020</u>	<u>2019</u>
Halili Hajrulla Trustee	Residence & Business	\$ 3,640,785	\$ 2,178,080
Halili, Hajrulla	Residence	2,799,970	2,799,970
Centerpoint Energy Houston	Utility	2,565,280	2,566,120
Wiggins, Matthew Jr.	Residence	2,554,990	1,534,110
Ivic Michael Sr & Franka	Residence & Business	1,863,050	(a)
Eckhardt Gary & Denese	Residence	1,845,360	(a)
Moore Clifford A. & Pat M.	Residence	1,729,210	1,176,560
Halili Razz Trust	Residence & Business	1,717,760	1,092,610
Starship Conroe LP	Business	1,697,620	(a)
Jakubas Wladyslaw J	Residence	1,628,520	(a)
Jaradina, Charles C.	Residence	(a)	1,510,510
Shahroodi, Shahrokh	Residence	(a)	1,110,590
Gazania Investments LLC	Business	(a)	1,185,737
Cassius Limited	Residence	(a)	1,037,590
	Total	<u>\$ 22,042,545</u>	<u>\$ 16,191,877</u>
	Percent of Assessed Valuation	<u>4.99 %</u>	<u>4.20 %</u>

(a) not a principal taxpayer in respective year.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**ASSESSED VALUE BY CLASSIFICATION**  
**JUNE 30, 2021**  
**(UNAUDITED)**

Classification of Assessed Valuation (a)

Type of Property	2020		2019	
	Taxable Value	%	Taxable Value	%
Single Family Residence	\$ 338,152,962	76.56	\$ 303,779,174	78.79
Multi-Family Residence	2,808,163	0.64	2,664,733	0.69
Vacant Lots and Land Tracts	46,225,063	10.47	38,897,900	10.09
Qualified Open-Space Land	6,540	0.00	6,883	0.00
Rural Land, Non-Qualified Open Space	3,991,059	0.90	3,277,205	0.85
Commercial Real Property	31,444,812	7.12	20,591,766	5.34
Commercial Real Exempt	137,760	0.03		0.00
Gas Distribution System	463,160	0.10	368,460	0.10
Electric Company (Including Co-Op)	2,565,280	0.58	2,566,120	0.67
Telephone Company (Including Co-Op)	307,510	0.07	360,390	0.09
Pipelant Company	21,390	0.00	19,160	0.00
Commercial Personal Property	5,764,990	1.31	4,901,690	1.27
Industrial and Manufacturing Personal Property	1,001,570	0.23	882,560	0.23
Tangible Other Personal Mobile Home	8,566,765	1.94	6,689,987	1.74
Residential Inventory	224,650	0.05	533,750	0.14
Special Inventory Tax	5,641	0.00	4,340	0.00
Total Appraised Value	<u>\$ 441,687,315</u>	<u>100.0</u>	<u>\$ 385,544,118</u>	<u>100.0</u>

(a) Reflects classification of assessed valuation as supplied by the Galveston Central Appraisal District ("GCAD") prior to adjustments and exemptions. Such value may differ from the original certified assessed valuation and any supplements or adjustments thereto, as supplied by GCAD.

**SAN LEON MUNICIPAL UTILITY DISTRICT**  
**ESTIMATED OVERLAPPING DEBT**  
**JUNE 30, 2021**  
**(UNAUDITED)**

Taxing Body	Amount	As of	% of Overlapping Debt	Amount of Overlapping Debt
Galveston County	\$ 210,083,482	8/31/2021	1.13	\$ 2,373,944
Dickinson ISD	373,055,000	8/31/2021	8.60	32,082,730
College of the Mainland	165,985,000	8/31/2021	3.03	<u>5,029,346</u>
		Total Overlapping Debt:		\$ 39,486,020
 San Leon MUD		 8/31/2021		 \$ 32,255,000
		Total District and Overlapping Debt:		<u>\$ 71,741,020</u>
		Total Direct and Overlapping Debt % of A.V.:		13.66%
		Total Direct and Overlapping Debt per Capita:		\$ 6,796

Overlapping Entity	2020 Tax Rate Per \$100 A.V.
Galveston County	\$ 0.465128
Road and Flood	0.010772
Dickinson ISD	1.344000
College of the Mainland	0.241963
The District	<u>0.560000</u>
Total	<u>\$ 2.621863</u>

