

SAN LEON MUNICIPAL UTILITY DISTRICT

GALVESTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2020

SAN LEON MUNICIPAL UTILITY DISTRICT

GALVESTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2020

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-11
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	13-14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	15
NOTES TO THE FINANCIAL STATEMENTS	16-28
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL-GENERAL FUND	30
SUPPLEMENTARY INFORMATION-REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	32-34
GENERAL FUND EXPENDITURES	35-36
INVESTMENTS	37
TAXES LEVIED AND RECEIVABLE	38-39
LONG-TERM DEBT SERVICE REQUIREMENTS	40-44
CHANGES IN LONG-TERM BOND DEBT	45-46
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	47-50
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	51-52
OTHER SUPPLEMENTARY INFORMATION	
PRINCIPAL TAXPAYERS	54
ASSESSED VALUE BY CLASSIFICATION	55
ESTIMATED OVERLAPPING DEBT	56

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

P.O. Box 29584
Austin, Texas 78759
(512) 610-2209
E-Mail: mgsb@mgsbpllc.com
www.mgsbpllc.com

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these 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, 2020, 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

October 20, 2020

**SAN LEON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020. 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, 2020**

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 \$4,246,090 as of June 30, 2020. 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, 2020**

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		
	2020	2019	Change Positive (Negative)
Current and Other Assets	\$ 26,794,231	\$ 5,547,022	\$ 21,247,209
Capital Assets (Net of Accumulated Depreciation)	11,601,175	11,612,344	(11,169)
Total Assets	\$ 38,395,406	\$ 17,159,366	\$ 21,236,040
Bonds Payable	\$ 33,261,899	\$ 11,004,259	\$ (22,257,640)
Other Liabilities	887,417	754,358	(133,059)
Total Liabilities	\$ 34,149,316	\$ 11,758,617	\$ (22,390,699)
Net Position:			
Net Investment in Capital Assets	\$ (473,768)	\$ 1,623,937	\$ (2,097,705)
Restricted	2,930,617	1,686,588	1,244,029
Unrestricted	1,789,241	2,090,224	(300,983)
Total Net Position	\$ 4,246,090	\$ 5,400,749	\$ (1,154,659)

The following table provides a summary of the District's operations for the years ending June 30, 2020, and June 30, 2019.

	Summary of Changes in the Statement of Activities		
	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,426,099	\$ 1,612,478	\$ 813,621
Charges for Services	3,952,180	3,693,329	258,851
Other Revenues	341,403	196,423	144,980
Total Revenues	\$ 6,719,682	\$ 5,502,230	\$ 1,217,452
Expenses for Services	7,874,341	5,711,010	(2,163,331)
Change in Net Position	\$ (1,154,659)	\$ (208,780)	\$ (945,879)
Net Position, Beginning of Year	5,400,749	5,609,529	(208,780)
Net Position, End of Year	\$ 4,246,090	\$ 5,400,749	\$ (1,154,659)

**SAN LEON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2020, were \$25,865,104, an increase of \$21,250,614 from the prior year.

The General Fund fund balance decreased by \$288,580, primarily due to operating and maintenance and repair costs exceeding property tax and service revenues.

The Debt Service Fund fund balance increased by \$1,368,090, primarily due to the structure of the District's debt service requirements and proceeds received from the sale of bonds.

The Capital Projects Fund fund balance increased by \$20,171,104, primarily due to proceeds received from the sale of bonds (see Note 14).

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$294,494 higher than budgeted revenues, primarily due to higher than anticipated property tax, water service and miscellaneous revenues. Actual expenditures exceeded budgeted expenditures by \$650,112, primarily due to higher than anticipated repairs and maintenance, offset by transfers from the Capital Projects Fund to reimburse capital costs.

CAPITAL ASSETS

Capital assets as of June 30, 2020, total \$11,601,175 (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			
	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 151,807	\$ 151,807	\$
Construction in Progress	518,697	491,660	27,037
Capital Assets, Net of Accumulated Depreciation:			
Buildings, Vehicles, and Equipment	210,939	274,433	(63,494)
Water System	5,230,129	5,391,779	(161,650)
Wastewater System	5,489,603	5,302,665	186,938
Total Net Capital Assets	\$ 11,601,175	\$ 11,612,344	\$ (11,169)

**SAN LEON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

LONG-TERM DEBT ACTIVITY

As of June 30, 2020, the District had total bond debt payable of \$33,325,000. The changes in the debt position of the District during the fiscal year ended June 30, 2020, are summarized as follows:

Bond Debt Payable, July 1, 2019	\$ 11,065,000
Add: Bond Sale - Series 2019	22,750,000
Less: Bond Principal Paid	<u>490,000</u>
Bond Debt Payable, June 30, 2020	<u>\$ 33,325,000</u>

The District's Series 2013, 2017 and 2019 bonds carry insured ratings of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corporation and Municipal Assurance Corp. 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 24th Street, San Leon, Texas 77539.

SAN LEON MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2020

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 470,285	\$ 299,312
Investments	1,578,129	2,496,818
Cash with Galveston County Tax Office	2,129	5,004
Receivables:		
Property Taxes	126,328	203,828
Penalty and Interest on Delinquent Taxes		
Service Accounts	363,711	
Due from Other Funds		214,101
Prepaid Costs	14,710	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 2,555,292	\$ 3,219,063

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>
\$ 1,131,762	\$ 1,901,359	\$	\$ 1,901,359
20,062,215	24,137,162		24,137,162
	7,133		7,133
	330,156		330,156
		40,000	40,000
	363,711		363,711
497	214,598	(214,598)	
	14,710		14,710
		151,807	151,807
		518,697	518,697
		10,930,671	10,930,671
<u>\$ 21,194,474</u>	<u>\$ 26,968,829</u>	<u>\$ 11,426,577</u>	<u>\$ 38,395,406</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, 2020

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 243,428	\$
Accrued Interest Payable		
Due to Other Funds	214,598	
Security Deposits	308,025	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 766,051	\$ - 0 -
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 126,328	\$ 203,828
FUND BALANCES		
Nonspendable: Prepaid Costs	\$ 14,710	\$
Restricted for Authorized Construction		
Restricted for Debt Service		3,015,235
Unassigned	1,648,203	
TOTAL FUND BALANCES	\$ 1,662,913	\$ 3,015,235
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,555,292	\$ 3,219,063
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 7,518	\$ 250,946	\$	\$ 250,946
	214,598	328,446	328,446
	308,025	(214,598)	308,025
		1,030,000	1,030,000
		32,231,899	32,231,899
<u>\$ 7,518</u>	<u>\$ 773,569</u>	<u>\$ 33,375,747</u>	<u>\$ 34,149,316</u>
<u>\$ - 0 -</u>	<u>\$ 330,156</u>	<u>\$ (330,156)</u>	<u>\$ - 0 -</u>
\$ 21,186,956	\$ 14,710	(14,710)	\$
	21,186,956	(21,186,956)	
	3,015,235	(3,015,235)	
	1,648,203	(1,648,203)	
<u>\$ 21,186,956</u>	<u>\$ 25,865,104</u>	<u>\$ (25,865,104)</u>	<u>\$ - 0 -</u>
<u>\$ 21,194,474</u>	<u>\$ 26,968,829</u>		
		\$ (473,768)	\$ (473,768)
		2,930,617	2,930,617
		1,789,241	1,789,241
		<u>\$ 4,246,090</u>	<u>\$ 4,246,090</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, 2020**

Total Fund Balances - Governmental Funds		\$ 25,865,104
--	--	---------------

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		11,601,175
--	--	------------

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District.		370,156
--	--	---------

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:

Accrued Interest Payable	\$ (328,446)	
Bonds Payable	<u>(33,261,899)</u>	<u>(33,590,345)</u>
Total Net Position - Governmental Activities		<u>\$ 4,246,090</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2020

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 704,467	\$ 1,648,858
Water Service	1,465,771	
Wastewater Service	1,067,715	
Street Lighting	127,208	
Fire Fighting Service	355,110	
Solid Waste Service	557,894	
Penalty and Interest	26,189	64,553
Tap Connection and Inspection Fees	287,740	
Investment and Miscellaneous Revenues	192,200	20,820
TOTAL REVENUES	\$ 4,784,294	\$ 1,734,231
EXPENDITURES/EXPENSES		
Service Operations:		
Personnel	\$ 956,143	\$
Professional Fees	85,995	17,662
Contracted Services	974,543	700
Purchased Water	533,895	
Utilities	139,969	
Repairs and Maintenance	1,823,419	
Street Lighting	76,323	
Depreciation		
Other	547,125	
Capital Outlay		
Debt Service:		
Bond Issuance Costs		
Bond Principal		490,000
Bond Interest		529,844
TOTAL EXPENDITURES/EXPENSES	\$ 5,137,412	\$ 1,038,206
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ (353,118)	\$ 696,025
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ 64,538	\$
Proceeds from Issuance of Long-Term Debt		672,065
TOTAL OTHER FINANCING SOURCES (USES)	\$ 64,538	\$ 672,065
NET CHANGE IN FUND BALANCES	\$ (288,580)	\$ 1,368,090
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2019	1,951,493	1,647,145
FUND BALANCES/NET POSITION - JUNE 30, 2020	\$ 1,662,913	\$ 3,015,235

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,353,325	\$ 72,774	\$ 2,426,099
	1,465,771		1,465,771
	1,067,715		1,067,715
	127,208		127,208
	355,110		355,110
	557,894		557,894
	90,742		90,742
	287,740		287,740
128,383	341,403		341,403
\$ 128,383	\$ 6,646,908	\$ 72,774	\$ 6,719,682
\$	\$ 956,143	\$	\$ 956,143
	103,657		103,657
	975,243		975,243
	533,895		533,895
	139,969		139,969
400	1,823,819		1,823,819
	76,323		76,323
		436,868	436,868
40	547,165		547,165
425,699	425,699	(425,699)	
1,544,537	1,544,537		1,544,537
	490,000	(490,000)	
	529,844	206,878	736,722
\$ 1,970,676	\$ 8,146,294	\$ (271,953)	\$ 7,874,341
\$ (1,842,293)	\$ (1,499,386)	\$ 344,727	\$ (1,154,659)
\$ (64,538)	\$	\$	\$
22,077,935	22,750,000	(22,750,000)	
\$ 22,013,397	\$ 22,750,000	\$ (22,750,000)	\$ - 0 -
\$ 20,171,104	\$ 21,250,614	\$ (21,250,614)	\$
		(1,154,659)	(1,154,659)
1,015,852	4,614,490	786,259	5,400,749
\$ 21,186,956	\$ 25,865,104	\$ (21,619,014)	\$ 4,246,090

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, 2020

Net Change in Fund Balances - Governmental Funds	\$ 21,250,614
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>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.</p>	72,774
<p>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.</p>	(436,868)
<p>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.</p>	425,699
<p>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.</p>	490,000
<p>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.</p>	(206,878)
<p>Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.</p>	<u>(22,750,000)</u>
Change in Net Position - Governmental Activities	<u>\$ (1,154,659)</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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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 2013	Series 2017	Series 2019
Amounts Outstanding – June 30, 2020	\$ 1,550,000	\$ 6,210,000	\$ 2,815,000	\$ 22,750,000
Interest Rates	3.40%	3.00% - 4.25%	2.25% - 3.25%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2020/2025	September 1, 2020/2033	September 1, 2020/2037	September 1, 2020/2049
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, 2020*	September 1, 2024*	September 1, 2026*

* 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, 2020, 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, 2020

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2020:

	July 1, 2019	Additions	Retirements	June 30, 2020
Bonds Payable	\$ 11,065,000	\$ 22,750,000	\$ 490,000	\$ 33,325,000
Unamortized Discounts	(142,654)		(10,357)	(132,297)
Unamortized Premiums	81,913		12,717	69,196
Bonds Payable, Net	\$ 11,004,259	\$ 22,750,000	\$ 492,360	\$ 33,261,899
		Amount Due Within One Year		\$ 1,030,000
		Amount Due After One Year		32,231,899
		Bonds Payable, Net		\$ 33,261,899

As of June 30, 2020, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 1,030,000	\$ 965,744	\$ 1,995,744
2022	885,000	930,613	1,815,613
2023	930,000	900,613	1,830,613
2024	970,000	871,072	1,841,072
2025	1,015,000	840,217	1,855,217
2026-2030	5,860,000	3,710,435	9,570,435
2031-2035	6,735,000	2,778,815	9,513,815
2036-2040	4,560,000	2,004,136	6,564,136
2041-2045	4,980,000	1,342,200	6,322,200
2046-2050	6,360,000	495,600	6,855,600
	\$ 33,325,000	\$ 14,839,445	\$ 48,164,445

During the year ended June 30, 2020, the District levied an ad valorem debt service tax rate of \$0.45 per \$100 of assessed valuation, which resulted in a tax levy of \$1,736,771 on the adjusted taxable valuation of \$385,544,118 for the 2019 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, 2020

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 \$1,901,359 and the bank balance was \$2,028,181. 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, 2020, as listed below:

	Cash
GENERAL FUND	\$ 470,285
DEBT SERVICE FUND	299,312
CAPITAL PROJECTS FUND	1,131,762
TOTAL DEPOSITS	\$ 1,901,359

SAN LEON MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 2020, 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	\$ 1,578,129	\$ 1,578,129
<u>DEBT SERVICE FUND</u>		
TexPool	2,238,026	2,238,026
TexSTAR	258,792	258,792
<u>CAPITAL PROJECTS FUND</u>		
TexSTAR	20,062,215	20,062,215
TOTAL INVESTMENTS	<u>\$ 24,137,162</u>	<u>\$ 24,137,162</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2020, 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, 2020

NOTE 7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 is as follows:

	July 1, 2019	Increases	Decreases	June 30, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 151,807	\$	\$	\$ 151,807
Construction in Progress	491,660	425,699	398,662	518,697
Total Capital Assets Not Being Depreciated	<u>\$ 643,467</u>	<u>\$ 425,699</u>	<u>\$ 398,662</u>	<u>\$ 670,504</u>
Capital Assets Subject to Depreciation				
Buildings, Vehicles, and Equipment	\$ 964,807	\$	\$	\$ 964,807
Water System	7,682,146			7,682,146
Wastewater System	10,327,949	398,662		10,726,611
Total Capital Assets Subject to Depreciation	<u>\$ 18,974,902</u>	<u>\$ 398,662</u>	<u>\$ - 0 -</u>	<u>\$ 19,373,564</u>
Less Accumulated Depreciation				
Buildings, Vehicles, and Equipment	\$ 690,374	\$ 63,494	\$	\$ 753,868
Water System	2,290,367	161,650		2,452,017
Wastewater System	5,025,284	211,724		5,237,008
Total Accumulated Depreciation	<u>\$ 8,006,025</u>	<u>\$ 436,868</u>	<u>\$ - 0 -</u>	<u>\$ 8,442,893</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 10,968,877</u>	<u>\$ (38,206)</u>	<u>\$ - 0 -</u>	<u>\$ 10,930,671</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 11,612,344</u>	<u>\$ 387,493</u>	<u>\$ 398,662</u>	<u>\$ 11,601,175</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, 2020, the District levied an ad valorem maintenance tax rate of \$0.18 per \$100 of assessed valuation, which resulted in a tax levy of \$694,660 on the adjusted taxable valuation of \$385,544,118 for the 2019 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 \$533,895 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, 2020

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 \$17,252.

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 \$127,208 in revenues and \$76,323 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 \$355,110 in fire prevention service revenues.

NOTE 13. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of June 30, 2020, the General Fund recorded a payable in the amount of \$214,101 to the Debt Service Fund for debt service tax collections and a payable in the amount of \$497 to the Capital Projects Fund for expenditures related to a previous bond issue. During the current fiscal year, the Capital Projects Fund transferred \$64,538 to reimburse the General Fund for inflow and infiltration expenditures paid in a prior year.

NOTE 14. BOND SALE

On November 20, 2019, the District closed on the sale of its Series 2019 Unlimited Tax Bonds in the amount of \$22,750,000. The District is using the proceeds for the Wastewater Treatment Plant Expansion, 48" effluent outfall line and to finance certain engineering and bond issuance costs.

SAN LEON MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15. ECONOMIC UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which could have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

NOTE 16. SUBSEQUENT EVENT – REFUNDING BOND SALE

Subsequent to year-end, on August 19, 2020, the District closed on the sale of its Unlimited Tax Refunding Bonds, Series 2020 in the amount of \$6,000,000. Total net proceeds of \$6,276,155 were used to refund \$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.

THIS PAGE INTENTIONALLY LEFT BLANK

SAN LEON MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2020

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, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 630,000	\$ 704,467	\$ 74,467
Water Service	1,350,000	1,465,771	115,771
Wastewater Service	1,050,000	1,067,715	17,715
Street Lighting	130,000	127,208	(2,792)
Fire Fighting Service	275,000	355,110	80,110
Solid Waste Service	575,000	557,894	(17,106)
Penalty and Interest	36,000	26,189	(9,811)
Tap Connection and Inspection Fees	370,000	287,740	(82,260)
Investment and Miscellaneous Revenues	73,800	192,200	118,400
TOTAL REVENUES	<u>\$ 4,489,800</u>	<u>\$ 4,784,294</u>	<u>\$ 294,494</u>
EXPENDITURES			
Service Operations:			
Personnel	\$ 930,700	\$ 956,143	\$ (25,443)
Professional Fees	144,000	85,995	58,005
Fire Fighting	275,000	354,122	(79,122)
Solid Waste Disposal	615,000	607,693	7,307
Purchased Water	528,000	533,895	(5,895)
Utilities	130,000	139,969	(9,969)
Repairs and Maintenance	975,000	1,823,419	(848,419)
Street Lighting	75,000	76,323	(1,323)
Other	814,600	559,853	254,747
TOTAL EXPENDITURES	<u>\$ 4,487,300</u>	<u>\$ 5,137,412</u>	<u>\$ (650,112)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 2,500</u>	<u>\$ (353,118)</u>	<u>\$ (355,618)</u>
OTHER FINANCING SOURCES(USES)			
Transfers In(Out)	<u>\$ - 0 -</u>	<u>\$ 64,538</u>	<u>\$ 64,538</u>
NET CHANGE IN FUND BALANCE	\$ 2,500	\$ (288,580)	\$ (291,080)
FUND BALANCE - JULY 1, 2019	<u>1,951,493</u>	<u>1,951,493</u>	<u> </u>
FUND BALANCE - JUNE 30, 2020	<u>\$ 1,953,993</u>	<u>\$ 1,662,913</u>	<u>\$ (291,080)</u>

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

SAN LEON MUNICIPAL UTILITY DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
JUNE 30, 2020

**SAN LEON MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2020**

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 August 21, 2019.

	<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, 2020**

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>3,199</u>	<u>2,842</u>	x 1.0	<u>2,842</u>
1"	<u>108</u>	<u>100</u>	x 2.5	<u>250</u>
1½"	_____	_____	x 5.0	_____
2"	<u>32</u>	<u>32</u>	x 8.0	<u>256</u>
3"	_____	_____	x 15.0	_____
4"	<u>9</u>	<u>9</u>	x 25.0	<u>225</u>
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water Connections	<u>3,348</u>	<u>2,983</u>		<u>3,573</u>
Total Wastewater Connections	<u>3,277</u>	<u>2,912</u>	x 1.0	<u>2,912</u>

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

Gallons billed to customers:	153,853,000	Water Accountability Ratio: 60.4 % (Gallons billed/Gallons purchased)
Gallons purchased:	254,518,000	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, 2020**

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, 2020

PERSONNEL EXPENDITURES (Including Benefits)	
Salaries	\$ 695,181
Payroll Taxes	53,126
Pension	17,252
Payroll Service	2,958
Insurance	<u>187,626</u>
TOTAL PERSONNEL EXPENDITURES	<u>\$ 956,143</u>
PROFESSIONAL FEES:	
Auditing	\$ 24,500
Engineering	39,450
Legal	<u>22,045</u>
TOTAL PROFESSIONAL FEES	<u>\$ 85,995</u>
PURCHASED WATER SERVICE	<u>\$ 533,895</u>
CONTRACTED SERVICES:	
Fire Fighting	\$ 354,122
Solid Waste Disposal	607,693
Tax Collection and Appraisal District	<u>12,728</u>
TOTAL CONTRACTED SERVICES	<u>\$ 974,543</u>
UTILITIES:	
Electricity	\$ 116,029
Telephone	<u>23,940</u>
TOTAL UTILITIES	<u>\$ 139,969</u>
REPAIRS AND MAINTENANCE	<u>\$ 1,823,419</u>
ADMINISTRATIVE EXPENDITURES:	
Computer/Internet	\$ 24,947
Director Fees, including Payroll Taxes	9,422
Dues	1,690
Insurance	79,310
Office Supplies and Postage	51,204
Rents and Leases	11,733
Training	8,305
Travel and Meetings	4,633
Security Network, Cameras and Entry Locks	22,978
Bank Charges	12,892
Other	<u>38,754</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 265,868</u>

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2020

STREET LIGHTING		\$ <u>76,323</u>
OTHER EXPENDITURES:		
Auto and Vehicle Expenditures		\$ 4,796
Chemicals		21,536
Fuel		7,366
Laboratory Fees		22,649
Permit Fees		13,815
Regulatory Assessment		12,413
Sludge Hauling		132,366
Small Tools and Equipment		49,914
Uniforms		11,016
Other		<u>5,386</u>
TOTAL OTHER EXPENDITURES		\$ <u>281,257</u>
TOTAL EXPENDITURES		\$ <u>5,137,412</u>

Number of persons employed by the District 12 Full-Time 0 Part-Time

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
INVESTMENTS
JUNE 30, 2020

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 1,349,585	\$
TexPool	XXXX0004	Varies	Daily	228,544	
TOTAL GENERAL FUND				<u>\$ 1,578,129</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0006	Varies	Daily	\$ 2,238,026	\$
TexSTAR	XXXX6790	Varies	Daily	258,792	
TOTAL DEBT SERVICE FUND				<u>\$ 2,496,818</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexSTAR	XXXX0170	Varies	Daily	\$ 312,821	\$
TexSTAR	XXXX0190	Varies	Daily	19,749,394	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 20,062,215</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 24,137,162</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, 2020

	Maintenance Taxes		Debt Service Taxes
TAXES RECEIVABLE -			
JULY 1, 2019	\$ 138,731		\$ 118,651
Adjustments to Beginning			
Balance	(2,596)	\$ 136,135	(2,736) \$ 115,915
Original 2019 Tax Levy	\$ 666,314		\$ 1,665,901
Adjustment to 2019 Tax Levy	28,346	694,660	70,870 1,736,771
TOTAL TO BE			
ACCOUNTED FOR		\$ 830,795	\$ 1,852,686
TAX COLLECTIONS:			
Prior Years	\$ 65,850		\$ 52,203
Current Year	638,617	704,467	1,596,655 1,648,858
TAXES RECEIVABLE -			
JUNE 30, 2020		\$ 126,328	\$ 203,828
TAXES RECEIVABLE BY			
YEAR:			
2019		\$ 56,043	\$ 140,116
2018		22,216	14,811
2017		9,569	12,883
2016		5,168	6,226
2015		3,940	5,502
2014		2,264	4,529
2013		1,980	3,961
2012		3,631	1,815
2011		3,086	1,543
2010		2,974	1,487
2009		2,666	1,333
2008		1,565	782
2007		1,485	743
2006 and Prior		9,741	8,097
TOTAL		\$ 126,328	\$ 203,828

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2020

	2019	2018	2017	2016
PROPERTY VALUATIONS:				
Land	\$ 142,004,599	\$ 135,855,042	\$ 117,759,355	\$ 84,601,856
Improvements	317,776,151	300,359,958	267,754,377	225,104,245
Personal Property	9,111,180	8,830,938	8,552,844	9,001,318
Exemptions	<u>(83,347,812)</u>	<u>(86,438,726)</u>	<u>(92,369,056)</u>	<u>(50,453,116)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 385,544,118</u>	<u>\$ 358,607,212</u>	<u>\$ 301,697,520</u>	<u>\$ 268,254,303</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.4500	\$ 0.1800	\$ 0.2582	\$ 0.2459
Maintenance	<u>0.1800</u>	<u>0.2700</u>	<u>0.1918</u>	<u>0.2041</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.6300</u>	<u>\$ 0.4500</u>	<u>\$ 0.4500</u>	<u>\$ 0.4500</u>
ADJUSTED TAX LEVY*	<u>\$ 2,431,431</u>	<u>\$ 1,615,297</u>	<u>\$ 1,530,523</u>	<u>\$ 1,207,959</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>91.93 %</u>	<u>97.71 %</u>	<u>98.53 %</u>	<u>99.06 %</u>

* 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, 2020

REFUNDING SERIES - 2012

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 240,000	\$ 48,620	\$ 288,620
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>\$ 1,550,000</u>	<u>\$ 162,350</u>	<u>\$ 1,712,350</u>

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2020

S E R I E S - 2 0 1 3				
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total	
2021	\$ 170,000	\$ 199,981	\$	369,981
2022	180,000	193,669		373,669
2023	190,000	188,119		378,119
2024	195,000	182,344		377,344
2025	205,000	176,344		381,344
2026	230,000	169,819		399,819
2027	525,000	158,494		683,494
2028	550,000	142,025		692,025
2029	580,000	124,369		704,369
2030	610,000	105,394		715,394
2031	640,000	84,681		724,681
2032	675,000	62,491		737,491
2033	710,000	38,675		748,675
2034	750,000	13,125		763,125
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				
2045				
2046				
2047				
2048				
2049				
2050				
	\$ 6,210,000	\$ 1,839,530	\$	8,049,530

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2020

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	
2021	\$ 100,000	\$ 82,106	\$	182,106
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				
	\$ 2,815,000	\$ 882,671	\$	3,697,671

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2020

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
2021	\$ 520,000	\$ 635,037	\$ 1,155,037
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>\$ 22,750,000</u>	<u>\$ 11,954,894</u>	<u>\$ 34,704,894</u>

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2020

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 1,030,000	\$ 965,744	\$ 1,995,744
2022	885,000	930,613	1,815,613
2023	930,000	900,613	1,830,613
2024	970,000	871,072	1,841,072
2025	1,015,000	840,217	1,855,217
2026	1,060,000	808,472	1,868,472
2027	1,115,000	776,198	1,891,198
2028	1,170,000	742,351	1,912,351
2029	1,225,000	708,569	1,933,569
2030	1,290,000	674,845	1,964,845
2031	1,360,000	638,185	1,998,185
2032	1,425,000	598,548	2,023,548
2033	1,500,000	556,093	2,056,093
2034	1,580,000	510,532	2,090,532
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>\$ 33,325,000</u>	<u>\$ 14,839,445</u>	<u>\$ 48,164,445</u>

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2020

Description	Original Bonds Issued	Bonds Outstanding July 1, 2019
San Leon Municipal Utility District Unlimited Tax Refunding Bonds - Series 2012	\$ 3,055,000	\$ 1,775,000
San Leon Municipal Utility District Unlimited Tax Bonds - Series 2013	7,000,000	6,380,000
San Leon Municipal Utility District Unlimited Tax Bonds - Series 2017	3,000,000	2,910,000
San Leon Municipal Utility District Unlimited Tax Bonds - Series 2019	<u>22,750,000</u>	<u> </u>
TOTAL	<u>\$ 35,805,000</u>	<u>\$ 11,065,000</u>
Bond Authority:	Tax Bonds	
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, 2020:		<u>\$ 2,801,134</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 1,605,482</u>

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

See accompanying independent auditor's report.

Current Year Transactions

<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding June 30, 2020</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 225,000	\$ 56,525	\$ 1,550,000	Branch Banking and Trust Company Charlotte, NC
	170,000	207,206	6,210,000	Amegy Bank National Association Houston, Texas
	95,000	85,031	2,815,000	Amegy Bank National Association Houston, Texas
<u>22,750,000</u>		<u>181,082</u>	<u>22,750,000</u>	Amegy Bank National Association Houston, Texas
<u>\$ 22,750,000</u>	<u>\$ 490,000</u>	<u>\$ 529,844</u>	<u>\$ 33,325,000</u>	

See accompanying independent auditor's report.

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

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 704,467	\$ 936,834	\$ 628,487
Water Service	1,465,771	1,352,900	1,173,498
Wastewater Service	1,067,715	1,029,799	920,195
Street Lighting	127,208	124,587	127,059
Fire Fighting Service	355,110	264,318	273,152
Solid Waste Service	557,894	561,140	572,346
Penalty and Interest	26,189	34,444	33,242
Tap Connection and Inspection Fees	287,740	268,685	141,295
Investment and Miscellaneous Revenues	192,200	127,887	149,406
TOTAL REVENUES	\$ 4,784,294	\$ 4,700,594	\$ 4,018,680
EXPENDITURES			
Personnel	\$ 956,143	\$ 929,969	\$ 875,399
Professional Fees	85,995	142,376	151,469
Contracted Services	974,543	881,267	875,615
Purchased Water	533,895	514,338	466,145
Utilities	139,969	116,562	126,693
Repairs and Maintenance	1,823,419	1,253,521	326,418
Street Lighting	76,323	73,372	73,743
Other	547,125	668,056	1,080,906
Capital Outlay			787,160
Debt Service:			
Note Principal		29,478	38,388
Note Interest		553	1,978
TOTAL EXPENDITURES	\$ 5,137,412	\$ 4,609,492	\$ 4,803,914
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (353,118)	\$ 91,102	\$ (785,234)
OTHER FINANCING SOURCES (USES)			
Note Proceeds	\$	\$	\$
Transfers In(Out)	64,538	731,483	266,123
TOTAL OTHER FINANCING SOURCES (USES)	\$ 64,538	\$ 731,483	\$ 266,123
NET CHANGE IN FUND BALANCE	\$ (288,580)	\$ 822,585	\$ (519,111)
BEGINNING FUND BALANCE	1,951,493	1,128,908	1,648,019
ENDING FUND BALANCE	\$ 1,662,913	\$ 1,951,493	\$ 1,128,908

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 550,579	\$ 375,324	14.8 %	20.0 %	15.7 %	14.9 %	12.8 %
1,115,885	1,061,850	30.6	28.8	29.2	30.3	36.0
895,413	909,500	22.3	21.9	22.9	24.3	30.8
126,999	122,871	2.7	2.7	3.2	3.4	4.2
273,616	264,013	7.4	5.6	6.8	7.4	8.9
284,769		11.7	11.9	14.2	7.7	
35,419	33,124	0.5	0.7	0.8	1.0	1.1
242,080	131,095	6.0	5.7	3.5	6.6	4.4
164,026	53,778	4.0	2.7	3.7	4.4	1.8
<u>\$ 3,688,786</u>	<u>\$ 2,951,555</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 910,236	\$ 821,010	20.0 %	19.8 %	21.8 %	24.7 %	27.8 %
317,231	93,142	1.8	3.0	3.8	8.6	3.2
595,865	277,780	20.4	18.7	21.8	16.2	9.4
436,831	401,450	11.2	10.9	11.6	11.8	13.6
121,567	149,341	2.9	2.5	3.2	3.3	5.1
236,383	350,445	38.1	26.7	8.1	6.4	11.9
71,871	98,442	1.6	1.6	1.8	1.9	3.3
758,297	539,028	11.4	14.2	26.9	20.6	18.3
301,782	454,017			19.6	8.2	15.4
38,100	15,934		0.6	1.0	1.0	0.5
3,401	1,348				0.1	
<u>\$ 3,791,564</u>	<u>\$ 3,201,937</u>	<u>107.4 %</u>	<u>98.0 %</u>	<u>119.6 %</u>	<u>102.8 %</u>	<u>108.5 %</u>
<u>\$ (102,778)</u>	<u>\$ (250,382)</u>	<u>(7.4) %</u>	<u>2.0 %</u>	<u>(19.6) %</u>	<u>(2.8) %</u>	<u>(8.5) %</u>
\$ 33,913	\$ 57,008					
233,139						
<u>\$ 267,052</u>	<u>\$ 57,008</u>					
\$ 164,274	\$ (193,374)					
1,483,745	1,677,119					
<u>\$ 1,648,019</u>	<u>\$ 1,483,745</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 1,648,858	\$ 652,330	\$ 843,259
Penalty and Interest	64,553	57,456	55,427
Investment and Miscellaneous Revenues	20,820	25,790	12,624
TOTAL REVENUES	\$ 1,734,231	\$ 735,576	\$ 911,310
EXPENDITURES			
Tax Collection Expenditures	\$ 17,662	\$ 18,268	\$ 12,000
Debt Service Principal	490,000	465,000	360,000
Debt Service Interest and Fees	530,544	366,724	321,908
TOTAL EXPENDITURES	\$ 1,038,206	\$ 849,992	\$ 693,908
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 696,025	\$ (114,416)	\$ 217,402
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	\$ 672,065	\$ - 0 -	\$ 95,880
NET CHANGE IN FUND BALANCE	\$ 1,368,090	\$ (114,416)	\$ 313,282
BEGINNING FUND BALANCE	1,647,145	1,761,561	1,448,279
ENDING FUND BALANCE	\$ 3,015,235	\$ 1,647,145	\$ 1,761,561
TOTAL ACTIVE RETAIL WATER CONNECTIONS	2,983	2,893	2,783
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	2,912	2,848	2,725

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 667,937	\$ 738,199	95.1 %	88.7 %	92.5 %	92.8 %	95.4 %
46,944	33,358	3.7	7.8	6.1	6.5	4.3
4,776	2,281	1.2	3.5	1.4	0.7	0.3
<u>\$ 719,657</u>	<u>\$ 773,838</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 14,185	\$ 10,905	1.0 %	2.5 %	1.3 %	2.0 %	1.4 %
350,000	335,000	28.3	63.2	39.5	48.6	43.3
305,517	318,097	30.6	49.9	35.3	42.5	41.1
<u>\$ 669,702</u>	<u>\$ 664,002</u>	<u>59.9 %</u>	<u>115.6 %</u>	<u>76.1 %</u>	<u>93.1 %</u>	<u>85.8 %</u>
<u>\$ 49,955</u>	<u>\$ 109,836</u>	<u>40.1 %</u>	<u>(15.6) %</u>	<u>23.9 %</u>	<u>6.9 %</u>	<u>14.2 %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 49,955	\$ 109,836					
1,398,324	1,288,488					
<u>\$ 1,448,279</u>	<u>\$ 1,398,324</u>					
<u>2,719</u>	<u>2,809</u>					
<u>2,661</u>	<u>2,795</u>					

See accompanying independent auditor's report.

**SAN LEON MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2020**

District Mailing Address - San Leon Municipal Utility District
443 24th Street
San Leon, TX 77539

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

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended <u>June 30, 2020</u>	Expense Reimbursements for the year ended <u>June 30, 2020</u>	<u>Title</u>
Joe Manchaca	05/18 05/22 (Elected)	\$ -0-	\$ -0-	President
Tyson Kennedy	05/18 05/22 (Elected)	\$ 1,800	\$ 260	Vice President
Keith Gossett	09/18 11/20 (Appointed)	\$ 2,850	\$ -0-	Secretary
Kenneth Bishop	05/16 11/20 (Elected)	\$ 3,000	\$ 373	Treasurer/ Investment Officer
Kelly Neason	05/18 05/22 (Elected)	\$ 1,350	\$ -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: February 12, 2019

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, 2020**

	<u>Date Hired</u>	<u>Fees/ Compensation for the fiscal year ended June 30, 2020</u>	<u>Title</u>
Key Administrative Personnel:			
Janice Hoffman	07/23/95	\$ 82,807	Office Manager
Andrew Miller	01/17/18	\$ 81,069	District Manager
Ken Keller	04/96	\$ 80,243	Field Supervisor
Consultants:			
Reid, Strickland & Gillette	Prior to 1992	\$ 22,045 \$ 252,563	General Counsel Co-Bond Counsel
Baker Williams Mathieson, LLP		\$ 309,638	Co-Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	06/20/95	\$ 23,000 \$ 1,500	Auditor Bond Related
Linebarger Goggan Blair and Sampson, LLP	1992	\$ 17,662	Delinquent Tax Attorney
Costello, Inc.	05/16/18	\$ 322,836	Engineer
SAMCO Capital Markets	06/22/03	\$ 455,490	Financial Advisor
Galveston County Tax Assessor	9/2002	\$ 13,321	Tax Collector

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

SAN LEON MUNICIPAL UTILITY DISTRICT
OTHER SUPPLEMENTARY INFORMATION

SAN LEON MUNICIPAL UTILITY DISTRICT
PRINCIPAL TAXPAYERS
JUNE 30, 2020
(UNAUDITED)

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Taxable Value by Tax Year</u>	
		<u>2019</u>	<u>2018</u>
Centerpoint Energy Houston	Utility	\$ 2,566,120	\$ 2,229,810
Halili Hajrulla Trustee	Residence & Business	2,178,080	1,716,900
Halili, Hajrulla	Residence	2,799,970	1,538,655
Wiggins, Matthew Jr.	Residence	1,534,110	1,524,990
Jardina, Charles C.	Residence	1,510,510	1,261,130
Gazania Investments LLC	Residence	1,185,737	(a)
Moore, Clifford A. & Pat M.	Residence	1,176,560	1,142,487
MP Apartments LLC	Multi-Family Apt.	(a)	1,116,913
Shahroodi, Shahrokh	Residence	1,110,590	1,007,050
Halili Razz Trust	Residence	1,092,610	(a)
Cassius Limited	Residence	1,037,590	1,040,370
Barrett, Stephen P. & Sheryl	Residence	(a)	1,011,190
	Total	<u>\$ 16,191,877</u>	<u>\$ 13,589,495</u>
	Percent of Assessed Valuation	<u>4.20 %</u>	<u>3.79 %</u>

(a) not a principal taxpayer in respective year.

SAN LEON MUNICIPAL UTILITY DISTRICT
ASSESSED VALUE BY CLASSIFICATION
JUNE 30, 2020
(UNAUDITED)

Classification of Assessed Valuation (a)

Type of Property	2019		2018	
	Taxable Value	%	Taxable Value	%
Single Family Residence	\$ 303,779,174	78.79	\$ 281,076,954	78.39
Multi-Family Residence	2,664,733	0.69	2,779,917	0.78
Vacant Lots and Land Tracts	38,897,900	10.09	38,417,009	10.71
Qualified Open-Space Land	6,883	0.00	6,759	0.00
Rural Land, Non-Qualified Open Space	3,277,205	0.85	3,048,390	0.85
Commercial Real Property	20,591,766	5.34	17,573,452	4.90
Gas Distribution System	368,460	0.10	339,040	0.09
Electric Company (Including Co-Op)	2,566,120	0.67	2,229,810	0.62
Telephone Company (Including Co-Op)	360,390	0.09	436,775	0.12
Pipelnd Company	19,160	0.00	14,822	0.00
Commercial Personal Property	4,901,690	1.27	4,726,120	1.32
Industrial and Manufacturing Personal Property	882,560	0.23	1,064,251	0.30
Tangible Other Personal Mobile Home	6,689,987	1.74	6,299,123	1.76
Residential Inventory	533,750	0.14	580,860	0.16
Special Inventory Tax	4,340	0.00	13,930	0.00
Total Appraised Value	<u>\$ 385,544,118</u>	<u>100.0</u>	<u>\$ 358,607,212</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, 2020
(UNAUDITED)

<u>Taxing Body</u>	<u>Amount</u>	<u>As of</u>	<u>% of Overlapping Debt</u>	<u>Amount of Overlapping Debt</u>
Galveston County	\$ 229,269,447	8/31/2020	1.13	\$ 2,590,746
Dickinson ISD	295,390,000	8/31/2020	8.60	25,403,540
College of the Mainland	170,055,000	8/31/2020	3.03	<u>5,152,667</u>
		Total Overlapping Debt:		\$ 33,146,952
San Leon MUD		8/31/2020		<u>\$ 33,285,000</u>
		Total District and Overlapping Debt:		<u><u>\$ 66,431,952</u></u>
		Total Direct and Overlapping Debt % of A.V.:		14.53%
		Total Direct and Overlapping Debt per Capita:		\$ 6,293

<u>Overlapping Entity</u>	<u>2019 Tax Rate Per \$100 A.V.</u>
Galveston County	\$ 0.504396
Road and Flood	0.011741
Dickinson ISD	1.450000
College of the Mainland	0.204254
The District	<u>0.630000</u>
Total	<u><u>\$ 2.800391</u></u>

