

SAN LEON MUNICIPAL UTILITY DISTRICT

GALVESTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2023

SAN LEON MUNICIPAL UTILITY DISTRICT

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ANNUAL FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2023, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
San Leon Municipal
Utility District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* 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, excluding that portion marked "Unaudited" on which we express no opinion or provide an 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 17, 2023

**SAN LEON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

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, 2023. 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, 2023**

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 \$5,282,171 as of June 30, 2023. 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, 2023**

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		
	2023	2022	Change Positive (Negative)
Current and Other Assets	\$ 15,692,267	\$ 16,385,773	\$ (693,506)
Capital Assets (Net of Accumulated Depreciation)	21,222,526	21,527,920	(305,394)
Total Assets	\$ 36,914,793	\$ 37,913,693	\$ (998,900)
Deferred Outflows of Resources	\$ 171,667	\$ 188,602	\$ (16,935)
Long-Term Debt	\$ 29,954,408	\$ 31,697,325	\$ 1,742,917
Other Liabilities	1,849,881	1,387,982	(461,899)
Total Liabilities	\$ 31,804,289	\$ 33,085,307	\$ 1,281,018
Net Position:			
Net Investment in Capital Assets	\$ 702,438	\$ 428,438	\$ 274,000
Restricted	3,062,143	2,913,477	148,666
Unrestricted	1,517,590	1,675,073	(157,483)
Total Net Position	\$ 5,282,171	\$ 5,016,988	\$ 265,183

The following table provides a summary of the District's operations for the years ending June 30, 2023, and June 30, 2022.

	Summary of Changes in the Statement of Activities		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,614,292	\$ 2,637,674	\$ (23,382)
Charges for Services	4,280,333	4,116,802	163,531
Other Revenues	627,477	280,742	346,735
Total Revenues	\$ 7,522,102	\$ 7,035,218	\$ 486,884
Expenses for Services	7,256,919	6,395,277	(861,642)
Change in Net Position	\$ 265,183	\$ 639,941	\$ (374,758)
Net Position, Beginning of Year	5,016,988	4,377,047	639,941
Net Position, End of Year	\$ 5,282,171	\$ 5,016,988	\$ 265,183

**SAN LEON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2023, were \$14,647,263, a decrease of \$153,535 from the prior year.

The General Fund fund balance decreased by \$158,368, primarily due to property tax and service revenues exceeding operating and maintenance and repair costs.

The Debt Service Fund fund balance increased by \$120,039, primarily due to the structure of the District's debt service requirements.

The Capital Projects Fund fund balance decreased by \$115,206, 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 \$108,420 lower than budgeted revenues, actual expenditures were more than budgeted expenditures by \$589,502, and a transfer from the Capital Projects Fund and lease proceeds totaling \$545,604 were not budgeted, which resulted in a negative variance of \$152,318. See the budget to actual comparison for analysis of variances.

CAPITAL ASSETS

Capital assets as of June 30, 2023, total \$20,956,524 (net of accumulated depreciation) and include land, buildings, vehicles and equipment as well as the water and wastewater systems. Projects completed during the year include the Wastewater Treatment Plant Expansion.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2023	2022	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 151,807	\$ 151,807	\$
Capital Assets, Net of Accumulated Depreciation:			
Buildings, Vehicles, and Equipment	175,543	184,374	(8,831)
Water System	4,794,583	4,939,765	(145,182)
Wastewater System	15,834,591	16,251,974	(417,383)
Total Net Capital Assets	\$ 20,956,524	\$ 21,527,920	\$ (571,396)

**SAN LEON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

RIGHT-OF-USE ASSETS

In accordance with the requirements of GASB Statement No. 87, which was required to be implemented in the current fiscal year, the District classified certain capital assets as right-of-use assets. Right-of-use assets consisted of Vac-Jet truck which totaled \$315,845, had current year amortization expense of \$49,843, and had an accumulated amortization balance of \$49,843 as of June 30, 2023.

LONG-TERM DEBT ACTIVITY

As of June 30, 2023, the District had total bond debt payable of \$30,445,000. The changes in the debt position of the District during the fiscal year ended June 30, 2023, are summarized as follows:

Bond Debt Payable, July 1, 2022	\$ 31,375,000
Less: Bond Principal Paid	<u>930,000</u>
Bond Debt Payable, June 30, 2023	<u>\$ 30,445,000</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).

At the end of the current fiscal year, the District had long-term debt for leases payable of \$256,153. The changes in leases payable of the District during the fiscal year ended June 30, 2023, are summarized as follows:

Lease Payable, July 1, 2022	\$
Add: Lease Proceeds	315,845
Less: Lease Principal Paid	<u>59,692</u>
Lease Payable, June 30, 2023	<u>\$ 256,153</u>

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, 2023

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 808,854	\$ 895,181
Investments	915,867	1,785,425
Cash with Galveston County Tax Office	6,139	13,333
Receivables:		
Property Taxes	136,442	249,678
Penalty and Interest on Delinquent Taxes		
Service Accounts	444,436	
Due from Other Funds	500	278,641
Prepaid Costs	14,710	
Land		
Right-of-Use Assets (Net of Accumulated Amortization)		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 2,326,948	\$ 3,222,258
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ - 0 -	\$ - 0 -
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,326,948	\$ 3,222,258

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 1,374,874	\$ 3,078,909	\$	\$ 3,078,909
8,919,161	11,620,453		11,620,453
	19,472		19,472
	386,120		386,120
		128,167	128,167
	444,436		444,436
	279,141	(279,141)	
	14,710		14,710
		151,807	151,807
		266,002	266,002
		20,804,717	20,804,717
<u>\$ 10,294,035</u>	<u>\$ 15,843,241</u>	<u>\$ 21,071,552</u>	<u>\$ 36,914,793</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 171,667</u>	<u>\$ 171,667</u>
<u>\$ 10,294,035</u>	<u>\$ 15,843,241</u>	<u>\$ 21,243,219</u>	<u>\$ 37,086,460</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, 2023

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 174,917	\$
Accrued Interest Payable		
Due to Other Funds	278,641	500
Security Deposits	355,800	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
Lease Payable, Due Within One Year		
Lease Payable, Due After One Year		
TOTAL LIABILITIES	\$ 809,358	\$ 500
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 136,442	\$ 249,678
FUND BALANCES		
Nonspendable: Prepaid Costs	\$ 14,710	\$
Restricted for Authorized Construction		
Restricted for Debt Service		2,972,080
Unassigned	1,366,438	
TOTAL FUND BALANCES	\$ 1,381,148	\$ 2,972,080
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,326,948	\$ 3,222,258
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
\$	\$ 174,917	\$	\$ 174,917
		287,782	287,782
	279,141	(279,141)	
	355,800		355,800
		970,000	970,000
		29,759,637	29,759,637
		61,382	61,382
		194,771	194,771
<u>\$ - 0 -</u>	<u>\$ 809,858</u>	<u>\$ 30,994,431</u>	<u>\$ 31,804,289</u>
<u>\$ - 0 -</u>	<u>\$ 386,120</u>	<u>\$ (386,120)</u>	<u>\$ - 0 -</u>
\$	\$ 14,710	(14,710)	\$
10,294,035	10,294,035	(10,294,035)	
	2,972,080	(2,972,080)	
	1,366,438	(1,366,438)	
<u>\$ 10,294,035</u>	<u>\$ 14,647,263</u>	<u>\$ (14,647,263)</u>	<u>\$ - 0 -</u>
<u>\$ 10,294,035</u>	<u>\$ 15,843,241</u>		
		\$ 702,438	\$ 702,438
		3,062,143	3,062,143
		1,517,590	1,517,590
		<u>\$ 5,282,171</u>	<u>\$ 5,282,171</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, 2023**

Total Fund Balances - Governmental Funds \$ 14,647,263

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

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. 171,667

Capital assets and right-of-use assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 21,222,526

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2022 and prior tax levies became part of recognized revenue in the governmental activities of the District. 514,287

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	\$ (287,782)	
Bonds Payable	(30,729,637)	
Lease Payable	<u>(256,153)</u>	<u>(31,273,572)</u>
Total Net Position - Governmental Activities		<u>\$ 5,282,171</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, 2023

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 816,977	\$ 1,784,557
Water Service	1,438,622	
Wastewater Service	1,253,926	
Street Lighting	140,142	
Fire Fighting Service	426,010	
Solid Waste Service	663,752	
Penalty and Interest	27,342	81,795
Tap Connection and Inspection Fees	235,310	
Investment and Miscellaneous Revenues	222,849	70,802
TOTAL REVENUES	\$ 5,224,930	\$ 1,937,154
EXPENDITURES/EXPENSES		
Service Operations:		
Personnel	\$ 1,117,178	\$
Professional Fees	215,276	27,571
Contracted Services	1,095,482	1,200
Purchased Water	526,557	
Utilities	130,570	
Repairs and Maintenance	1,541,226	
Street Lighting	67,607	
Depreciation/Amortization		
Other	850,527	450
Capital Outlay	315,845	
Debt Service:		
Bond Principal		930,000
Bond Interest		857,894
Lease Principal	59,692	
Lease Interest	8,942	
TOTAL EXPENDITURES/EXPENSES	\$ 5,928,902	\$ 1,817,115
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ (703,972)	\$ 120,039
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ 229,759	\$
Lease Proceeds	315,845	
TOTAL OTHER FINANCING SOURCES (USES)	\$ 545,604	\$ -0-
NET CHANGE IN FUND BALANCES	\$ (158,368)	\$ 120,039
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2022	1,539,516	2,852,041
FUND BALANCES/NET POSITION - JUNE 30, 2023	\$ 1,381,148	\$ 2,972,080

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,601,534	\$ 12,758	\$ 2,614,292
	1,438,622		1,438,622
	1,253,926		1,253,926
	140,142		140,142
	426,010		426,010
	663,752		663,752
	109,137	13,434	122,571
	235,310		235,310
333,826	627,477		627,477
\$ 333,826	\$ 7,495,910	\$ 26,192	\$ 7,522,102
\$	\$ 1,117,178	\$	\$ 1,117,178
	242,847		242,847
	1,096,682		1,096,682
	526,557		526,557
	130,570		130,570
166,400	1,707,626		1,707,626
	67,607		67,607
		621,239	621,239
52,873	903,850		903,850
	315,845	(315,845)	
	930,000	(930,000)	
	857,894	(31,027)	826,867
	59,692	(59,692)	
	8,942	6,954	15,896
219,273	7,965,290	(708,371)	7,256,919
\$ 114,553	\$ (469,380)	\$ 734,563	\$ 265,183
\$ (229,759)	\$ 315,845	\$ (315,845)	\$
(229,759)	315,845	(315,845)	- 0 -
\$ (115,206)	\$ (153,535)	\$ 153,535	\$
		265,183	265,183
10,409,241	14,800,798	(9,783,810)	5,016,988
\$ 10,294,035	\$ 14,647,263	\$ (9,365,092)	\$ 5,282,171

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, 2023

Net Change in Fund Balances - Governmental Funds	\$ (153,535)
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.	12,758
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.	13,434
Governmental funds do not account for depreciation and amortization. However, in the Statement of Net Position, capital assets and right-of-use assets are depreciated and amortized and the expense is recorded in the Statement of Activities.	(621,239)
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.	315,845
Governmental funds report bond and lease principal payments as expenditures. However, in the Statement of Net Position, bond and lease principal payments are reported as decreases in long-term liabilities.	989,692
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.	24,073
Governmental funds report lease proceeds as other financing sources. However, lease proceeds increase long-term liabilities in the Statement of Net Position.	<u>(315,845)</u>
Change in Net Position - Governmental Activities	<u>\$ 265,183</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, 2023

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, 2023

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, 2023

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, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Right-of-Use 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

In accordance with GASB Statement No. 87, at June 30, 2023, the District recorded one vehicle as right-to-use assets (see Note 14). The right-to-use assets are being amortized over the life of the lease using the straight-line method of amortization.

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, 2023

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, 2023

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, 2023	\$ 810,000	\$ 2,500,000	\$ 21,500,000	\$ 5,635,000
Interest Rates	3.40%	2.25% - 3.25%	2.00% - 3.00%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2023/2025	September 1, 2023/2037	September 1, 2023/2049	September 1, 2023/2033
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, 2023, 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, 2023

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2023:

	July 1, 2022	Additions	Retirements	June 30, 2023
Bonds Payable	\$ 31,375,000	\$	\$ 930,000	\$ 30,445,000
Unamortized Premiums	322,325		37,688	284,637
Bonds Payable, Net	\$ 31,697,325	\$ -0-	\$ 967,688	\$ 30,729,637
		Amount Due Within One Year		\$ 970,000
		Amount Due After One Year		29,759,637
		Bonds Payable, Net		\$ 30,729,637

As of June 30, 2023, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
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
2029-2033	6,780,000	2,996,880	9,776,880
2034-2038	5,300,000	2,257,578	7,557,578
2039-2043	4,515,000	1,622,222	6,137,222
2044-2048	5,770,000	859,200	6,629,200
2049-2050	2,730,000	82,950	2,812,950
	\$ 30,445,000	\$ 11,608,614	\$ 42,053,614

During the year ended June 30, 2023, the District levied an ad valorem debt service tax rate of \$0.3269 per \$100 of assessed valuation, which resulted in a tax levy of \$1,804,578 on the adjusted taxable valuation of \$551,689,205 for the 2022 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, 2023

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 \$3,078,909 and the bank balance was \$3,123,267. 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, 2023, as listed below:

	Cash
GENERAL FUND	\$ 808,854
DEBT SERVICE FUND	895,181
CAPITAL PROJECTS FUND	1,374,874
TOTAL DEPOSITS	\$ 3,078,909

SAN LEON MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 2023, 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	\$ 915,867	\$ 915,867
<u>DEBT SERVICE FUND</u>		
TexPool	1,516,250	1,516,250
TexSTAR	269,175	269,175
<u>CAPITAL PROJECTS FUND</u>		
TexSTAR	8,919,161	8,919,161
TOTAL INVESTMENTS	\$ 11,620,453	\$ 11,620,453

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2023, 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, 2023

NOTE 7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023 is as follows:

	July 1, 2022	Increases	Decreases	June 30, 2023
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 151,807	\$ - 0 -	\$ - 0 -	\$ 151,807
Capital Assets Subject to Depreciation				
Buildings, Vehicles, and Equipment	\$ 981,552	\$	\$	\$ 981,552
Water System	7,682,146			7,682,146
Wastewater System	21,869,876			21,869,876
Total Capital Assets Subject to Depreciation	\$ 30,533,574	\$ - 0 -	\$ - 0 -	\$ 30,533,574
Less Accumulated Depreciation				
Buildings, Vehicles, and Equipment	\$ 797,178	\$ 8,831	\$	\$ 806,009
Water System	2,742,381	145,182		2,887,563
Wastewater System	5,617,902	417,383		6,035,285
Total Accumulated Depreciation	\$ 9,157,461	\$ 571,396	\$ - 0 -	\$ 9,728,857
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 21,376,113	\$ (571,396)	\$ - 0 -	\$ 20,804,717
Total Capital Assets, Net of Accumulated Depreciation	\$ 21,527,920	\$ (571,396)	\$ - 0 -	\$ 20,956,524

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, 2023, the District levied an ad valorem maintenance tax rate of \$0.1491 per \$100 of assessed valuation, which resulted in a tax levy of \$822,938 on the adjusted taxable valuation of \$551,689,205 for the 2022 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 \$526,557 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, 2023

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 \$19,928.

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 \$140,142 in revenues and \$67,607 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 \$426,010 in fire prevention service revenues.

NOTE 13. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of June 30, 2023, the General Fund recorded a payable in the amount of \$278,641 to the Debt Service Fund for debt service tax collections.

During the current fiscal year, the Capital Projects Fund transferred \$229,759 to the General Fund to reimburse costs for the Clarifier Rehab project, the 2017 payment for the wastewater treatment expansion and various water and wastewater projects.

SAN LEON MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14. LEASE PAYABLE

On September 9, 2021, the District entered into a lease-purchase agreement with Government Capital Corporation for the purchase of a Vac-Jet truck in the amount of \$315,845. The truck was delivered and fully operational as of April 22, 2022. Lease payments and related interest of \$68,634 are due annually beginning September 15, 2022 and ending February 15, 2026. The incremental borrowing rate is 2.831%.

Right-of-use assets, current year amortization expense, and accumulated amortization is summarized below:

	July 1, 2022	Increases	Decreases	June 30, 2023
Right-of-Use Assets Subject to Amortization				
Buildings, Vehicles, and Equipment	\$ - 0 -	\$ 315,845	\$ - 0 -	\$ 315,845
Less Accumulated Depreciation				
Buildings, Vehicles, and Equipment	\$ - 0 -	\$ 49,843	\$ - 0 -	\$ 49,843
Total Depreciable Right-of-Use Assets, Net of Accumulated Amortization	<u>\$ - 0 -</u>	<u>\$ 266,002</u>	<u>\$ - 0 -</u>	<u>\$ 266,002</u>

The following is a summary of transactions regarding leases payable for the fiscal year ended June 30, 2023:

Lease Payable, July 1, 2022	\$
Add: Lease Proceeds	315,845
Less: Lease Principal Paid	<u>59,692</u>
Lease Payable, June 30, 2023	<u>\$ 256,153</u>

The following is a schedule of future minimum lease payments under the leases payable as of June 30, 2023. These obligations of the District contain a non-appropriation provision.

Fiscal Year	Principal	Interest	Total
2024	\$ 61,382	\$ 7,252	\$ 68,634
2025	63,120	5,514	68,634
2026	64,907	3,727	68,634
2027	66,744	1,889	68,633
	<u>\$ 256,153</u>	<u>\$ 18,382</u>	<u>\$ 274,535</u>

SAN LEON MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15. CHANGE IN SCOPE

On November 30, 2022, the Commission approved the change of scope of the remaining bond proceeds in the amount of \$395,450 from the Series 2019 bond sale to fund the replacement of Clarifier No. 1, wastewater manhole rehabilitation and additional appropriations toward the improvements of the water distribution system.

NOTE 16. USE OF SURPLUS FUNDS

On June 29, 2023, the Commission approve the use of surplus capital projects funds in the amount of \$7,581,580 to fund the replacement of a 300-foot segment of 10” water transmission line and to expand upon the water line improvements project to replace 2-inch diameter pipe with 6-inch diameter pipe.

SAN LEON MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2023

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, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 875,000	\$ 816,977	\$ (58,023)
Water Service	1,550,000	1,438,622	(111,378)
Wastewater Service	1,350,000	1,253,926	(96,074)
Street Lighting	140,000	140,142	142
Fire Fighting Service	420,000	426,010	6,010
Solid Waste Service	605,000	663,752	58,752
Penalty and Interest	42,500	27,342	(15,158)
Tap Connection and Inspection Fees	250,000	235,310	(14,690)
Investment and Miscellaneous Revenues	100,850	222,849	121,999
TOTAL REVENUES	\$ 5,333,350	\$ 5,224,930	\$ (108,420)
EXPENDITURES			
Service Operations:			
Personnel	\$ 1,183,500	\$ 1,117,178	\$ 66,322
Professional Fees	103,000	215,276	(112,276)
Fire Fighting	420,000	408,208	11,792
Solid Waste Disposal	630,000	664,082	(34,082)
Purchased Water	587,000	526,557	60,443
Utilities	152,000	130,570	21,430
Repairs and Maintenance	1,347,500	1,541,226	(193,726)
Street Lighting	80,000	67,607	12,393
Other	761,400	873,719	(112,319)
Capital Outlay		315,845	(315,845)
Debt Service: Lease Principal and Interest	75,000	68,634	6,366
TOTAL EXPENDITURES	\$ 5,339,400	\$ 5,928,902	\$ (589,502)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (6,050)	\$ (703,972)	\$ (697,922)
OTHER FINANCING SOURCES(USES)			
Transfers In(Out)	\$	\$ 229,759	\$ 229,759
Lease Proceeds		315,845	315,845
TOTAL OTHER FINANCING SOURCES (USE)	\$ -0-	\$ 545,604	\$ 545,604
NET CHANGE IN FUND BALANCE	\$ (6,050)	\$ (158,368)	\$ (152,318)
FUND BALANCE - JULY 1, 2022	1,539,516	1,539,516	
FUND BALANCE - JUNE 30, 2023	\$ 1,533,466	\$ 1,381,148	\$ (152,318)

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, 2023

**SAN LEON MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2023**

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 June 20, 2023.

	<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, 2023**

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>3,467</u>	<u>3,277</u>	x 1.0	<u>3,277</u>
1"	<u>111</u>	<u>110</u>	x 2.5	<u>275</u>
1½"	_____	_____	x 5.0	_____
2"	<u>40</u>	<u>35</u>	x 8.0	<u>280</u>
3"	_____	_____	x 15.0	_____
4"	<u>5</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>3,623</u>	<u>3,424</u>		<u>3,882</u>
Total Wastewater Connections	<u>3,600</u>	<u>3,350</u>	x 1.0	<u>3,350</u>

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

Gallons billed to customers:	199,398,000	Water Accountability Ratio: 87.3 % (Gallons billed/Gallons purchased)
Gallons purchased:	228,291,000	From: Gulf Coast Water Authority

See accompanying independent auditor's report.

**SAN LEON MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2023**

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, 2023

PERSONNEL EXPENDITURES (Including Benefits)	
Salaries	\$ 841,230
Payroll Taxes	61,084
Pension	19,928
Payroll Service	3,494
Insurance	<u>191,442</u>
TOTAL PERSONNEL EXPENDITURES	<u>\$ 1,117,178</u>
PROFESSIONAL FEES:	
Auditing	\$ 18,500
Engineering	156,423
Legal	37,853
Financial Advisor	<u>2,500</u>
TOTAL PROFESSIONAL FEES	<u>\$ 215,276</u>
PURCHASED WATER SERVICE	<u>\$ 526,557</u>
CONTRACTED SERVICES:	
Fire Fighting	\$ 408,208
Solid Waste Disposal	664,082
Tax Collection and Appraisal District	<u>23,192</u>
TOTAL CONTRACTED SERVICES	<u>\$ 1,095,482</u>
UTILITIES:	
Electricity	\$ 113,524
Telephone	<u>17,046</u>
TOTAL UTILITIES	<u>\$ 130,570</u>
REPAIRS AND MAINTENANCE	<u>\$ 1,541,226</u>

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2023

ADMINISTRATIVE EXPENDITURES:	
Computer/Internet	\$ 86,920
Director Fees, including Payroll Taxes	13,500
Dues	2,026
Insurance	98,110
Legal Notices	12,310
Office Supplies and Postage	32,375
Training	5,616
Travel and Meetings	15,610
Security Network, Cameras and Entry Locks	17,096
Bank Charges	51,033
Other	52,685
TOTAL ADMINISTRATIVE EXPENDITURES	\$ 387,281
CAPITAL OUTLAY	\$ 315,845
STREET LIGHTING	\$ 67,607
OTHER EXPENDITURES:	
Annual Support Agreements	\$ 8,926
Auto and Vehicle Expenditures	74,798
Chemicals	136,994
Fuel	24,115
Laboratory Fees	61,333
Permit Fees	27,898
Regulatory Assessment	13,432
Sludge Hauling	99,169
Small Tools and Equipment	3,816
Uniforms	12,765
TOTAL OTHER EXPENDITURES	\$ 463,246
DEBT SERVICE:	
Lease Principal	\$ 59,692
Lease Interest	8,942
TOTAL DEBT SERVICE	\$ 68,634
TOTAL EXPENDITURES	\$ 5,928,902

Number of persons employed by the District 10 Full-Time 0 Part-Time

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
INVESTMENTS
JUNE 30, 2023

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	\$ 677,982	\$
TexPool	XXXX0004	Varies	Daily	237,885	
TOTAL GENERAL FUND				<u>\$ 915,867</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0006	Varies	Daily	\$ 1,516,250	\$
TexSTAR	XXXX7900	Varies	Daily	269,175	
TOTAL DEBT SERVICE FUND				<u>\$ 1,785,425</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexSTAR	XXXX0170	Varies	Daily	\$ 325,372	\$
TexSTAR	XXXX0190	Varies	Daily	8,593,789	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 8,919,161</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 11,620,453</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, 2023

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JULY 1, 2022	\$	135,557		\$ 237,805
Adjustments to Beginning				
Balance		<u>(5,076)</u>	\$ 130,481	<u>(8,148)</u> \$ 229,657
Original 2022 Tax Levy	\$	800,183		\$ 1,754,679
Adjustment to 2022 Tax Levy		<u>22,755</u>	<u>822,938</u>	<u>49,899</u> <u>1,804,578</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 953,419		\$ 2,034,235
TAX COLLECTIONS:				
Prior Years	\$	53,324		\$ 109,982
Current Year		<u>763,653</u>	<u>816,977</u>	<u>1,674,575</u> <u>1,784,557</u>
TAXES RECEIVABLE -				
JUNE 30, 2023		<u>\$ 136,442</u>		<u>\$ 249,678</u>
TAXES RECEIVABLE BY				
YEAR:				
2022		\$ 59,285		\$ 130,003
2021		16,713		34,887
2020		10,712		24,572
2019		8,264		20,661
2018		9,421		6,281
2017		5,212		7,017
2016		3,662		4,411
2015		2,956		4,128
2014		1,758		3,517
2013		1,525		3,051
2012		2,878		1,439
2011		1,817		908
2010		1,549		774
2009 and Prior		<u>10,690</u>		<u>8,029</u>
TOTAL		<u>\$ 136,442</u>		<u>\$ 249,678</u>

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2023

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
PROPERTY VALUATIONS:				
Land	\$ 201,783,881	\$ 202,057,119	\$ 198,108,097	\$ 142,004,599
Improvements	456,077,708	416,570,053	352,102,453	317,776,151
Personal Property	12,241,435	10,718,411	10,137,890	9,111,180
Exemptions	<u>(118,413,819)</u>	<u>(118,309,018)</u>	<u>(118,661,125)</u>	<u>(83,347,812)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 551,689,205</u>	<u>\$ 511,036,565</u>	<u>\$ 441,687,315</u>	<u>\$ 385,544,118</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.3269	\$ 0.3494	\$ 0.3900	\$ 0.4500
Maintenance	<u>0.1491</u>	<u>0.1674</u>	<u>0.1700</u>	<u>0.1800</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.4760</u>	<u>\$ 0.5168</u>	<u>\$ 0.5600</u>	<u>\$ 0.6300</u>
ADJUSTED TAX LEVY*	<u>\$ 2,627,516</u>	<u>\$ 2,646,159</u>	<u>\$ 2,475,010</u>	<u>\$ 2,431,431</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED				
	<u>92.80 %</u>	<u>98.05 %</u>	<u>98.57 %</u>	<u>98.81 %</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, 2023

REFUNDING SERIES - 2012

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
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>\$ 810,000</u>	<u>\$ 41,480</u>	<u>\$ 851,480</u>

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2023

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
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>\$ 2,500,000</u>	<u>\$ 645,728</u>	<u>\$ 3,145,728</u>

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2023

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
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>\$ 21,500,000</u>	<u>\$ 10,097,506</u>	<u>\$ 31,597,506</u>

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2023

REFUNDING SERIES - 2020

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due March 1/ September 1	Total
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>\$ 5,635,000</u>	<u>\$ 823,900</u>	<u>\$ 6,458,900</u>

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2023

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
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>\$ 30,445,000</u>	<u>\$ 11,608,614</u>	<u>\$ 42,053,614</u>

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2023

Description	Original Bonds Issued	Bonds Outstanding July 1, 2022
San Leon Municipal Utility District Unlimited Tax Refunding Bonds - Series 2012	\$ 3,055,000	\$ 1,065,000
San Leon Municipal Utility District Unlimited Tax Bonds - Series 2017	3,000,000	2,610,000
San Leon Municipal Utility District Unlimited Tax Bonds - Series 2019	22,750,000	21,875,000
San Leon Municipal Utility District Unlimited Tax Refunding Bonds - Series 2020	<u>6,000,000</u>	<u>5,825,000</u>
TOTAL	<u><u>\$ 34,805,000</u></u>	<u><u>\$ 31,375,000</u></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><u>\$ 22,090,000</u></u>	
 Debt Service Fund cash, investments and cash with tax office balances as of June 30, 2023:		<u><u>\$ 2,693,939</u></u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u><u>\$ 1,557,541</u></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, 2023</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 255,000	\$ 31,875	\$ 810,000	Branch Banking and Trust Company Charlotte, NC
	110,000	75,806	2,500,000	Amegy Bank National Association Houston, Texas
	375,000	604,813	21,500,000	Amegy Bank National Association Houston, Texas
	<u>190,000</u>	<u>145,400</u>	<u>5,635,000</u>	Amegy Bank National Association Houston, Texas
<u>\$ - 0 -</u>	<u>\$ 930,000</u>	<u>\$ 857,894</u>	<u>\$ 30,445,000</u>	

See accompanying independent auditor's report.

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

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 816,977	\$ 840,233	\$ 751,952
Water Service	1,438,622	1,489,137	1,519,381
Wastewater Service	1,253,926	1,118,305	1,151,441
Street Lighting	140,142	133,366	131,181
Fire Fighting Service	426,010	391,120	382,604
Solid Waste Service	663,752	601,823	591,038
Penalty and Interest	27,342	35,709	33,538
Tap Connection and Inspection Fees	235,310	262,220	255,605
Investment and Miscellaneous Revenues	222,849	252,219	129,562
TOTAL REVENUES	\$ 5,224,930	\$ 5,124,132	\$ 4,946,302
EXPENDITURES			
Personnel	\$ 1,117,178	\$ 1,098,182	\$ 999,616
Professional Fees	215,276	157,074	82,678
Contracted Services	1,095,482	1,043,809	1,027,315
Purchased Water	526,557	515,245	522,354
Utilities	130,570	146,070	129,904
Repairs and Maintenance	1,541,226	1,281,741	1,806,706
Street Lighting	67,607	74,285	63,114
Other	850,527	679,303	600,648
Capital Outlay	315,845		16,745
Debt Service:			
Lease Principal	59,692		
Lease Interest	8,942		
TOTAL EXPENDITURES	\$ 5,928,902	\$ 4,995,709	\$ 5,249,080
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (703,972)	\$ 128,423	\$ (302,778)
OTHER FINANCING SOURCES (USES)			
Lease Proceeds	\$ 315,845	\$	\$
Transfers In(Out)	229,759		
TOTAL OTHER FINANCING SOURCES (USES)	\$ 545,604	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ (158,368)	\$ 128,423	\$ (302,778)
PRIOR PERIOD ADJUSTMENT			50,958
BEGINNING FUND BALANCE	1,539,516	1,411,093	1,662,913
ENDING FUND BALANCE	\$ 1,381,148	\$ 1,539,516	\$ 1,411,093

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2020</u>	<u>2019</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
\$ 704,467	\$ 936,834	15.6 %	16.5 %	15.2 %	14.8 %	20.0 %
1,465,771	1,352,900	27.5	29.1	30.7	30.6	28.8
1,067,715	1,029,799	24.0	21.8	23.3	22.3	21.9
127,208	124,587	2.7	2.6	2.7	2.7	2.7
355,110	264,318	8.2	7.6	7.7	7.4	5.6
557,894	561,140	12.7	11.7	11.9	11.7	11.9
26,189	34,444	0.5	0.7	0.7	0.5	0.7
287,740	268,685	4.5	5.1	5.2	6.0	5.7
192,200	127,887	4.3	4.9	2.6	4.0	2.7
<u>\$ 4,784,294</u>	<u>\$ 4,700,594</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 956,143	\$ 929,969	21.4 %	21.4 %	20.2 %	20.0 %	19.8 %
85,995	142,376	4.1	3.1	1.7	1.8	3.0
974,543	881,267	21.0	20.4	20.8	20.4	18.7
533,895	514,338	10.1	10.1	10.6	11.2	10.9
139,969	116,562	2.5	2.9	2.6	2.9	2.5
1,823,419	1,253,521	29.5	25.0	36.5	38.1	26.7
76,323	73,372	1.3	1.4	1.3	1.6	1.6
547,125	668,056	16.3	13.3	12.1	11.4	14.2
		6.0		0.3		
	29,478	1.1				0.6
	553	0.2				
<u>\$ 5,137,412</u>	<u>\$ 4,609,492</u>	<u>113.5 %</u>	<u>97.6 %</u>	<u>106.1 %</u>	<u>107.4 %</u>	<u>98.0 %</u>
<u>\$ (353,118)</u>	<u>\$ 91,102</u>	<u>(13.5) %</u>	<u>2.4 %</u>	<u>(6.1) %</u>	<u>(7.4) %</u>	<u>2.0 %</u>
\$ 64,538	\$ 731,483					
<u>\$ 64,538</u>	<u>\$ 731,483</u>					
\$ (288,580)	\$ 822,585					
<u>1,951,493</u>	<u>1,128,908</u>					
<u>\$ 1,662,913</u>	<u>\$ 1,951,493</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 1,784,557	\$ 1,755,882	\$ 1,712,769
Penalty and Interest	81,795	71,880	83,227
Investment and Miscellaneous Revenues	70,802	8,266	2,137
TOTAL REVENUES	\$ 1,937,154	\$ 1,836,028	\$ 1,798,133
EXPENDITURES			
Tax Collection Expenditures	\$ 28,771	\$ 24,031	\$ 27,488
Debt Service Principal	930,000	880,000	1,030,000
Debt Service Interest and Fees	858,344	890,095	856,933
Transfer to Refunding Escrow Agent			92,978
Bond Issuance Costs			275,704
TOTAL EXPENDITURES	\$ 1,817,115	\$ 1,794,126	\$ 2,283,103
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 120,039	\$ 41,902	\$ (484,970)
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	\$	\$	\$ 6,000,000
Transfer to Refunding Escrow Agent			(6,045,206)
Bond Premium			325,080
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ - 0 -	\$ 279,874
NET CHANGE IN FUND BALANCE	\$ 120,039	\$ 41,902	\$ (205,096)
BEGINNING FUND BALANCE	2,852,041	2,810,139	3,015,235
ENDING FUND BALANCE	\$ 2,972,080	\$ 2,852,041	\$ 2,810,139
TOTAL ACTIVE RETAIL WATER CONNECTIONS	3,424	3,105	3,016
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	3,350	3,060	2,945

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
\$ 1,648,858	\$ 652,330	92.1 %	95.6 %	95.3 %	95.1 %	88.7 %
64,553	57,456	4.2	3.9	4.6	3.7	7.8
<u>20,820</u>	<u>25,790</u>	<u>3.7</u>	<u>0.5</u>	<u>0.1</u>	<u>1.2</u>	<u>3.5</u>
<u>\$ 1,734,231</u>	<u>\$ 735,576</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 17,662	\$ 18,268	1.5 %	1.3 %	1.5 %	1.0 %	2.5 %
490,000	465,000	48.0	47.9	57.3	28.3	63.2
530,544	366,724	44.3	48.5	47.7	30.6	49.9
				5.2		
				<u>15.3</u>		
<u>\$ 1,038,206</u>	<u>\$ 849,992</u>	<u>93.8 %</u>	<u>97.7 %</u>	<u>127.0 %</u>	<u>59.9 %</u>	<u>115.6 %</u>
\$ 696,025	\$ (114,416)	<u>6.2 %</u>	<u>2.3 %</u>	<u>(27.0) %</u>	<u>40.1 %</u>	<u>(15.6) %</u>
\$ 672,065	\$					
<u>\$ 672,065</u>	<u>\$ - 0 -</u>					
\$ 1,368,090	\$ (114,416)					
<u>1,647,145</u>	<u>1,761,561</u>					
<u>\$ 3,015,235</u>	<u>\$ 1,647,145</u>					
<u>2,983</u>	<u>2,893</u>					
<u>2,912</u>	<u>2,848</u>					

See accompanying independent auditor's report.

**SAN LEON MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2023**

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

District Telephone Number - (281) 339-1586

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended June 30, 2023	Expense Reimbursements for the year ended June 30, 2023	Title
Kenneth Bishop	11/20 05/24 (Elected)	\$ 3,450	\$ 660	President
Keith Gossett	11/20 05/24 (Elected)	\$ 3,300	\$ 652	Vice President
Robin Burke	05/22 05/26 (Appointed)	\$ 150	\$ -0-	Secretary
Sheryl Hayslip-Bahena	05/22 05/26 (Elected)	\$ 2,700	\$ 268	Treasurer/ Investment Officer
Curtis Anderson	05/22 05/26 (Elected)	\$ 2,100	\$ -0-	Director

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: June 20, 2023

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, 2023**

	<u>Date Hired</u>	<u>Fees/ Compensation for the fiscal year ended June 30, 2023</u>	<u>Title</u>
Key Administrative Personnel:			
Janice Hoffman	07/23/95	\$ 92,162	Office Manager
Andrew Miller	01/17/18	\$ 96,158	District Manager
Ken Keller	04/96	\$ 105,168	Field Supervisor
Consultants:			
Stephen H. Don Carlos		\$ 18,165	General Counsel
McLeod, Alexander, Powel & APFFEL		\$ 19,688	Co-Outside Counsel
McCall Gibson Swedlund Barfoot PLLC	06/20/95	\$ 18,500	Auditor
Linebarger Goggan Blair and Sampson, LLP	1992	\$ 27,571	Delinquent Tax Attorney
Costello, Inc.	05/16/18	\$ 233,404	Engineer
SAMCO Capital Markets	06/22/03	\$ 2,500	Financial Advisor
Galveston County Tax Assessor	9/2002	\$ 1,215	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, 2023
(UNAUDITED)

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Taxable Value by Tax Year</u>	
		<u>2022</u>	<u>2021</u>
Halili Hajrulla Trustee	Residence & Business	\$ 6,728,425	\$ 5,647,760
Centerpoint Energy Houston	Utility	3,170,370	2,837,890
Moore Clifford A. & Pat M.	Residence	3,060,200	(a)
TGRV LP	Business	2,962,960	(a)
Summer Breeze USA Kemah LLC	Business	2,900,000	2,568,080
Starship Conroe LP	Business	2,650,000	1,891,480
Wiggins Matthew Jr	Residence	2,312,340	2,121,370
HNF Holdings Co LLC	Business	2,277,410	2,279,360
Halili Hajrulla	Residence	2,257,386	2,000,000
Halili Razz Trust	Residence & Business	2,206,480	(a)
Ivic Michael Sr & Franka	Residence	2,104,680	2,105,570
Oyster Bed Restoration LLC	Business	(a)	2,400,000
Eckhardt Gary & Denese	Residence	(a)	(a)
Three Veas	Business	(a)	3,600,000
	Total	<u>\$ 32,630,251</u>	<u>\$ 27,451,510</u>
	Percent of Assessed Valuation	<u>5.92 %</u>	<u>5.37 %</u>

(a) not a principal taxpayer in respective year.

SAN LEON MUNICIPAL UTILITY DISTRICT
ASSESSED VALUE BY CLASSIFICATION
JUNE 30, 2023
(UNAUDITED)

Classification of Assessed Valuation (a)

Type of Property	2022		2021	
	Taxable Value	%	Taxable Value	%
Single Family Residence	\$ 418,211,237	75.81	\$ 388,330,928	75.99
Multi-Family Residence	3,868,815	0.70	3,711,438	0.73
Vacant Lots and Land Tracts	47,670,031	8.64	47,245,154	9.24
Qualified Open-Space Land	6,540	0.00	6,540	0.00
Rural Land, Non-Qualified Open Space	8,040,887	1.46	4,261,297	0.83
Commercial Real Property	54,661,695	9.91	45,907,119	8.98
Gas Distribution System	685,330	0.12	548,460	0.11
Electric Company (Including Co-Op)	3,170,370	0.57	2,837,890	0.56
Telephone Company (Including Co-Op)	240,440	0.04	537,855	0.11
Pipelane Company	23,580	0.00	24,611	0.00
Commercial Personal Property	6,816,570	1.24	6,002,840	1.17
Industrial and Manufacturing Personal Property	1,208,845	0.22	749,525	0.15
Tangible Other Personal Mobile Home	6,973,305	1.26	10,659,248	2.09
Residential Inventory	86,540	0.02	205,380	0.04
Special Inventory Tax	25,020	0.00	8,280	0.00
Total Appraised Value	<u>\$ 551,689,205</u>	<u>100.0</u>	<u>\$ 511,036,565</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, 2023
(UNAUDITED)

Taxing Body	Amount	As of	% of Overlapping Debt	Amount of Overlapping Debt
Galveston County	\$ 154,975,000	9/30/2023	2.96	\$ 4,587,260
Dickinson ISD	466,390,000	9/30/2023	7.86	36,658,254
College of the Mainland	174,315,040	9/30/2023	1.09	<u>1,900,034</u>
		Total Overlapping Debt:		\$ 43,145,548
 San Leon MUD		 8/31/2022		 \$ 33,840,000
		Total District and Overlapping Debt:		<u><u>\$ 76,985,548</u></u>
		Total Direct and Overlapping Debt % of A.V.:		11.85%
		Total Direct and Overlapping Debt per Capita:		\$ 7,424

Overlapping Entity	2022 Tax Rate Per \$100 A.V.
Galveston County	\$ 0.367587
Road and Flood	0.008443
Dickinson ISD	1.294000
College of the Mainland	0.267620
The District	<u>0.476000</u>
Total	<u><u>\$ 2.413650</u></u>

