OFFICIAL STATEMENT DATED JULY 16, 2020

Insured Ratings (AGM): Moody's "A2" (Stable Outlook)
S&P "AA" (Stable Outlook)
Underlying Rating: Moody's Investors Service "A3"

NEW ISSUE BOOK-ENTRY-ONLY

See "MUNICIPAL BOND RATING" and "BOND INSURANCE" herein

In the opinion of Orrick, Herrington & Sutcliffe, LLP, Special Tax Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Special Tax Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Special Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

THE BONDS ARE DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS."

$6,000,000
SAN LEON MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas Located in Galveston County, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2020

Dated: July 1, 2020 **Due: September 1, as shown below**

Interest on the herein described bonds (the "Bonds") will accrue from July 1, 2020 and is payable September 1, 2020 and each March and September 1 (each an "Interest Payment Date"), thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial Paying Agent/Registrar for the Bonds is Zions Bancorporation, National Association, dba Amegy Bank, Houston, Texas (the "Paying Agent"). The Bonds are obligations solely of the San Leon Municipal Utility District (the "District") and are not obligations of Texas City, Texas; Galveston County, Texas; the State of Texas; or any entity other than the District.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.** See "Bond Insurance" herein.

SEE INSIDE COVER PAGE FOR MATURITY SCHEDULE

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District (as defined in the Bond Order). See "THE BONDS - Source of Payment." THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. Bond purchasers are encouraged to read this entire Official Statement prior to making an investment decision, including particularly the section titled "INVESTMENT CONSIDERATIONS."

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things to the approval of the Initial Bond by the Attorney General of Texas and the approval of certain legal matters by Baker Williams Matthiesen LLP and Reid, Strickland & Gillette, LLP, Co-Bond Counsel (collectively, "Bond Counsel") and Orrick, Herrington & Sutcliffe LLP, Houston, Texas, ("Special Tax Counsel"). In addition, certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Underwriter's Counsel. Delivery of the Bonds is expected on or about August 19, 2020, in Houston, Texas.

FHN Financial Capital Markets

MATURITIES
(Due September 1) **CUSIP Prefix: 798465**

Principal Amount	Interest Rate	Due	Initial Reoffering Yield (a)	CUSIP Suffix(b)	Principal Amount	Interest Rate	Due	Initial Reoffering Yield (a)	CUSIP Suffix(b)
$175,000	4.00	2021	0.75	GX2	$560,000	3.00	2027	1.33	HD5
190,000	4.00	2022	0.80	GY0	590,000	2.00	2028	1.48	HE3
195,000	4.00	2023	0.88	GZ7	615,000	2.00	2029*	1.58	HF0
205,000	4.00	2024	0.98	HA1	635,000	2.00	2030*	1.68	HG8
235,000	4.00	2025	1.08	HB9	665,000	2.00	2031*	1.73	HH6
530,000	4.00	2026	1.18	HC7	690,000	2.00	2032*	1.85	HJ2
					715,000	2.00	2033*	1.95	HK9

(a) Initial yield represents the initial reoffering yield to the public which has been established by the Underwriter for public offerings and which subsequently may be changed by the Underwriter and will be the sole responsibility of the Underwriter. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from July 1, 2020 is to be added to the price.

(b) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the District, the Financial Advisor (hereinafter defined), or the Underwriter take any responsibility for the accuracy of CUSIP numbers. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of $5,000, those Bonds maturing on or after September 1, 2029, in whole or from time to time in part, on September 1, 2028, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS - Redemption Provisions".

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “Bond Insurance” and “Appendix C - Specimen Municipal Bond Insurance Policy”.

*Yield calculated based on the assumption that the bonds denoted and sold at a premium will be redeemed on September 1, 2028, the first optional call date for such Bonds, at a redemption price at par plus accrued interest to the redemption date.

TABLE OF CONTENTS

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USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriter.

This Official Statement does not alone constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from SAMCO Capital Markets, Inc. for further information.

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

SALE AND DISTRIBUTION OF THE BONDS

Underwriter

The Bonds are being purchased by FHN Financial Capital Markets (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of $6,276,154.95 (being the par amount of the Bonds, plus a premium on the Bonds of $325,079.95 less an underwriter’s discount of $48,925.00, plus accrued interest on the Bonds to the date of delivery). The obligation of the Underwriter to purchase the Bonds is subject to certain conditions contained in the Bond Purchase Agreement. See “PLAN OF FINANCING”.

On November 4, 2019, First Horizon and IberiaBank announced its intention to enter into a merger, creating a leading regional financial services company. This transaction is now complete effective July 1, 2020. The new company retains the name First Horizon and will have its headquarters in Memphis, Tennessee, expanding its presence to eleven states in the combined organization’s existing footprint.

FHN Financial Capital Markets is a division of First Horizon Bank and First Horizon Advisors, Inc., is a wholly owned subsidiary of First Horizon Bank. FHN Financial Capital Markets has entered into a distribution agreement with First Horizon Advisors, Inc., for the distribution of the offered Bonds at the original issue prices. Such arrangement generally provides that FHN Financial Capital Markets will share a portion of its underwriting compensation or selling concession with First Horizon Advisors, Inc.

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information. may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the inside cover page hereof. The initial offering price may be changed from time to time by the Underwriter within the guidelines prescribed by applicable laws and regulations of the United States Securities and Exchange Commission.

Prices and Marketability

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over - allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.
The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 133, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other "jurisdiction". The District assumes no responsibility for registration of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind, with regard to, the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

It is the obligation of the Underwriter to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Underwriter's written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the District shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

MUNICIPAL BOND RATINGS

Municipal Bond Rating and Insurance… On July 9, 2020 Moody's released a underlying rating of "A3" on the District's Series 2020 Refunding Bonds. The District's 2019 bond issue had an underlying rating of "A3" from Moody's and was insured by Assurance Guaranty Municipal Corp. which has a current S&P rating of AA. The Bonds are expected to receive ratings of "AA" and "A2" from S&P and Moody's, respectively, based upon the issuance of the Policy by AGM at the time of delivery of the Bonds.

An explanation of the significance of a rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization, and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if, in the judgment of such company circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On November 7, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Capitalization of AGM

At March 31, 2020:

- The policyholders' surplus of AGM was approximately $2,573 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $997 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $1,997 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020).

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

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

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

INFECTIOUS DISEASE OUTBREAK (COVID-19)

General

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. As described herein under "INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)", federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston/Galveston area and could reduce or negatively affect property values within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds.

The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of COVID-19 upon the District. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition. See "INVESTMENT CONSIDERATIONS—Infectious Disease Outbreak (COVID-19)."

RECENT EXTREME WEATHER EVENTS; HURRICANE HARVEY

General

The greater Houston area, including Galveston County, is subject to occasional severe weather events, including tropical storms and hurricanes. If substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days.

Impact on the District

According to Costello, Inc. (the "Engineer") and the District's operators, the District's water, wastewater and drainage system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, according to the Engineer and the District's operators, although the District experienced street flooding, there was no apparent material wind or water damage to any homes or commercial businesses within the District as a result of Hurricane Harvey.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the

District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected. See "INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey."

THE DISTRICT

The Issuer .... San Leon Municipal Utility District (the "District"), a political subdivision of the State of Texas, was created by an act of the 59th Legislature of the State of Texas on May 26, 1965, pursuant to House Bill 1082 Chapter 520 (Vernon's Texas Civil Statutes) and by Order of the Texas Water Rights Commission, now the Texas Commission on Environmental Quality ("TCEQ) as a conservation and reclamation district under the provisions of Section 59, Article XVI of the Constitution of the State of Texas. The District operates under the provisions of Chapters 49 and 51 of the Texas Water Code. The District lies within the extraterritorial jurisdiction of the City of Texas City, Texas (the "City" or "Texas City"). The District has approximately 3,200 acres currently within the boundaries of the District. See "THE DISTRICT – General."

Location................................... The District is located in Galveston County approximately two miles east of State Highway 146 on West Galveston Bay, north of Texas City and east of Bacliff. The District is bounded on the north and east by West Galveston Bay, on the west by Houston Lighting and Power Company's P.H. Robinson Power Plant inlet channels and on the south by Dickinson Bay. The District is also approximately 10 miles from the City of Dickinson, Texas. The District is on the east side of Interstate Highway 45 approximately 35 miles south of the central business district of the City of Houston, Texas and 15 miles north of the central business district of the City of Galveston, Texas. See "THE DISTRICT."

Development within
The District............................ Development of the District began in the 1970s. All land in the District has been provided for with underground water, wastewater and drainage facilities. As of June 30, 2020, there were 2,661 active single-family home connections in the District. In addition to the single-family connections, there are approximately 60 meters in use at mobile home and RV parks, 78 commercial meters and 47 multi-family meters. These meters represent approximately 625 Equivalent Single-Family connections.

The District has approximately six miles of property fronting Galveston Bay. Development along the Bay includes single family residential homes. The remainder of the District consists of smaller homes including various mobile home parks and permanent recreation vehicles. There is no zoning in the District, and therefore, there is no pattern to development of home sites in type, value or maintenance. Of the homes which currently have been designated as homesteads, the average market value as shown on the 2019 tax roll of the District prepared by the Galveston Central Appraisal District is approximately $181,318 and the preliminary 2020 average market value is $202,171.

Commercial development in the District includes fish and shrimp processing companies, oil production companies, neighborhood grocery stores, restaurants & bars, marinas, boat repair facilities, RV Parks and various other retail and service establishments. See "TAX DATA – Top Taxpayers." Fire projection is provided by the San Leon Volunteer Fire Department, which also provide "Emergency Medical" and "First Responder" services for the San Leon community. See "THE DISTRICT".

THE BONDS

Description	$6,000,000 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds") mature annually in varying amounts on September 1 of each year from 2021 through 2033. Interest accrues from July 1, 2020 at the rates per annum set forth on the inside cover page hereof and is payable September 1, 2020 and each March 1 and September 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of $5,000 for any one maturity. See "THE BONDS – General Description."
Redemption.............................	Bonds maturing on or after September 1, 2029, are subject to optional redemption, in whole or from time to time in part, at the option of the District on September 1, 2028 and on any date thereafter at par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption Provisions".
Source of Payment...................	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not limited as to rate or amount. **The Bonds are obligations solely of the San Leon Municipal Utility District and are not obligations of the State of Texas; Galveston County, Texas; Texas City, Texas or any other political subdivision or entity other than the District.** See "THE BONDS - Source of Payment."
Payment Record.......................	The District has never defaulted on the payment of any bond obligation. See "FINANCIAL STATEMENT – Outstanding Bonds".
Authority for Issuance	The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 51 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended ("Chapter 1207"), and pursuant to an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors (the "Board") of the District. As permitted by the provisions of Chapter 1207, in the Bond Order the Board delegated to certain District officials the authority to execute a pricing certificate (the "Pricing Certificate") establishing the final sales terms of the Bonds. The Pricing Certificate was executed by an authorized District Official on July 16, 2020. See "THE BONDS - Authority for Issuance."
Use of Proceeds	The proceeds of the Bonds together with lawfully available debt service funds will be used to currently refund the outstanding portion of the District's Unlimited Tax Bonds, Series 2013 (the "Refunded Bonds") and to pay the costs of issuance of the Bonds. See "PLAN OF FINANCING SOURCES AND USES OF FUNDS".
Municipal Bond Ratings and Insurance	On July 9, 2020, Moody's Investors Service Inc. released an "A3" unenhanced rating on the Bonds. The District's 2019 bond issue had an underlying rating of "A3" from Moody's and was insured by Assured Guaranty Municipal Corp. which has a current S&P rating of "AA". The Bonds are expected to receive ratings of "AA" and "A2" from S&P and Moody's, respectively, based upon the issuance of the Policy by AGM at the time of delivery of the Bonds.
Tax Exemption	In the opinion of Orrick, Herrington & Sutcliffe, LLP, Special Tax Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Special Tax Counsel, interest

on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Special Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.

Qualified Tax-Exempt Obligations	The District designated the Bonds as "qualified tax-exempt obligations" pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended, and represented that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2020 is not reasonably expected to exceed $10,000,000. See "TAX MATTERS - Qualified Tax-Exempt Obligations".
General Counsel	Reid, Strickland & Gillette, LLP, Baytown, Texas.
Co-Bond Counsel	Baker Williams Matthiesen LLP, Houston Texas and Reid, Strickland & Gillette, LLP, Baytown, Texas.
Special Tax Counsel	Orrick, Herrington & Sutcliffe, LLP, Houston Texas.
Financial Advisor	SAMCO Capital Markets, Inc., Austin, Texas.
District Engineer......................	Costello, Inc., Houston, Texas.

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds involve certain investment considerations, and all prospective purchasers are urged to examine carefully the Official Statement, including particularly the section captioned "INVESTMENT CONSIDERATIONS," with respect to the investment security of the Bonds and other factors described therein.

SELECTED FINANCIAL INFORMATION

(Unaudited as of June 30, 2020)

2019 Assessed Valuation as of January 1, 2019 (100% of estimated market value)	$385,681,004	(a)
2020 Preliminary Assessed Valuation as of January 1, 2020 (100% of estimated market value)	$464,788,040	(a)
Gross Debt Outstanding June 30, 2020	$ 33,325,000	
Less: The Refunded Bonds	$ (6,040,000)	
Plus: The Bonds	$ 6,000,000	
Direct Debt:	$ 33,285,000	
Ratio of Gross Debt to 2019 Assessed Valuation as of January 1, 2019	8.63%	(b)
Ratio of Gross Debt to 2020 Preliminary Assessed Valuation as of January 1, 2020	7.16%	(b)

2019 Tax Rate

Debt Service	$0.45
Maintenance & Operation	$0.18
Total	$0.63

Debt Service Fund Balance	$2,796,130	
Average percentage of current tax collections - Tax Years 2013/2019	93.04%	
Average percentage of total tax collections - Tax Years 2013/2019 (thru May)	97.28%	

(The District is on a June 30 fiscal year end.)

Projected Average Annual Debt Service Requirement (2021/2033) of the Bonds and the Outstanding Bonds ("Projected Average Requirement")	$1,902,559	
Tax rate required to pay Projected Average Requirement based upon 2019 Assessed Valuation at 95% collections as of January 1, 2019	$0.52/$100	A.V.
Tax rate required to pay Projected Average Requirement based upon 2020 Preliminary Assessed Valuation at 95% collections as of January 1, 2020	$0.44/$100	A.V.
Projected Maximum Annual Debt Service Requirement (2033) of the Bonds and the Outstanding Bonds ("Projected Maximum Requirement")	$2,067,156	
Tax rate required to pay Projected Maximum Requirement based upon 2019 Assessed Valuation at 95% collections as of January 1, 2019	$0.57/$100	A.V.
Tax rate required to pay Projected Maximum Requirement based upon 2020 Preliminary Assessed Valuation at 95% collections as of January 1, 2020	$0.47/$100	A.V.

Status of water and sewer connections as of June 2020:

Single Family Connections	2,661	
Multi-Residential Connections	47	
Commercial Multi (Mobile Home & RV Parks)	60	
Commercial Connections	78	
Other (District, Irrigation)	45	
Estimated population	10,556	(c)

(a) Certified Taxable Assessed Value within the District on January 1, 2019 $385,681,004 as provided by the Galveston Central Appraisal District ("GCAD"). The Preliminary January 1, 2020 value is estimated to be $464,788,040 as provided by GCAD; however, the number has not yet been certified and is included solely for the purposes of illustration. No taxes will be levied on this assessed value unless it is certified by GCAD. See "TAXING PROCEDURES."

(b) After the issuance of the Refunding Bonds.

(c) Based on 3.5 residents per completed single-family, multi-residential and commercial-multi (RV/Mobile Home) equivalent single-family connections (ESFCs). The 47 multi-residential connections equate to 53 ESFCs, the 60 commercial-multi equate to 301 ESFC's and the 2,661 single-family connections equate to 2,661 ESFCs.

OFFICIAL STATEMENT

relating to

$6,000,000

SAN LEON MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas Located in Galveston County, Texas)
Unlimited Tax Refunding Bonds, Series 2020

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by San Leon Municipal Utility District (the "District") of its $6,000,000 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapter 1207 of the Texas Government Code, as amended ("Chapter 1207") and the general laws of the State of Texas, including Chapters 49 and 51 of the Texas Water Code, as amended, and pursuant to an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors (the "Board") of the District on the date of the sale of the Bonds. As permitted by the provisions of Chapter 1207, in the Bond Order the Board delegated to certain District officials the authority to execute a pricing certificate (the "Pricing Certificate") establishing the final sales terms of the Bonds. The Pricing Certificate was executed by an authorized District Official on July 16, 2020.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order.

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District's Bond Counsel, Baker Williams Matthiesen LLP, 5005 Woodway Dr., Suite 201, Houston, Texas 77056 or during the offering period from the District's Financial Advisor, SAMCO Capital Markets, Inc., Attn: Christina M. Lane, 6805 Capital of Texas Highway, Suite 350, Austin, Texas 78731, upon payment of reasonable copying, mailing and handling charges.

PLAN OF FINANCNG

Purpose

The District has $33,325,000 principal amount of bonds outstanding (the "Outstanding Bonds"). See "FINANCIAL STATEMENT – Outstanding Bonds." The proceeds of the Bonds and lawfully available debt service funds are being used to refund the District's original issue of $7,000,000 Unlimited Tax Bonds, Series 2013 with $6,040,000 remaining outstanding (the "Refunded Bonds") in order to reduce the District's debt service expense and result in net present value savings. See "Refunded Bonds" herein. Such funds will also be used to pay the costs of issuance of the Bonds. See "Sources and Uses of Funds" herein. A total of $32,940,000 in principal amount of the Outstanding Bonds is expected to remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds"). See the "FINANCIAL STATEMENT – Outstanding Bonds" – and "DEBT SERVICE SCHEDULE."

Refunded Bonds

The proceeds of the Bonds together with lawfully available debt service funds will be used to currently refund the Refunded Bonds and to pay the costs of issuance of the Bonds. The Refunded Bonds consist of the following:

Maturity September 1	***Series 2013 Amount***	***Series 2013 Rate***
2021	$180,000	3.000%
2022	$190,000	3.000%
2023	$195,000	3.000%
2024	$205,000	3.000%
2025	$230,000	3.000%
2026	$525,000	3.000%
2027	$550,000	3.125%
2028	$580,000	3.125%
2029	$610,000	3.250%
2030	$640,000	3.375%
2031	$675,000	3.375%
2032	$710,000	3.500%
2033	$750,000	3.500%
Total	$6,040,000	

Call Date: September 1, 2020

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds will be applied as follows:

Sources of Funds:

Par Amount	$6,000,000.00
Reoffering Premium	325,079.95
Accrued Interest	20,826.67
Transfers from Prior Issue Debt Service	92,977.72
Total Sources:	$6,438,884.34

Uses of Funds:

Underwriter's Discount	$ 48,925.00
Insurance Premium	57,809.07
Costs of Issuance	193,965.89
Deposit to Current Refunding Fund	$6,138,184.38
Total Uses	$6,438,884.34

Escrow Agreement

The Refunded Bonds, and the interest due thereon, are to be paid on their scheduled interest payment dates until final payment or their redemption date from the funds to be deposited with Zions Bancorporation, National Association dba Amegy Bank, Houston, Texas, as escrow agent (the “Escrow Agent”).

The Bond Order provides that the District and the Escrow Agent will enter into an escrow agreement (the “Escrow Agreement”) to be dated as of the date of the Bond Purchase Agreement (defined herein), but effective on the date of delivery of the Bonds (expected to be August 19, 2020). The Bond Order further provides that from the proceeds of the sale of the Bonds, together with certain other lawfully available funds of the District, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the “Escrow Fund”) as cash or and a used to purchase United States Treasury Obligations (the “Escrowed Securities”) together with the cash, scheduled to mature at such times and in such amounts as will be sufficient to pay, when due, the principal of and interest of the Refunded Bonds. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds or the Remaining Outstanding Bonds.

Defeasance of Refunded Bonds

By the deposit of the Escrowed Securities with the Escrow Agent pursuant to the Escrow Agreement, the District will have affected the defeasance of the Refunded Bonds pursuant to the terms of the order authorizing the issuance of the Refunded Bonds. In the opinion of Co-Bond Counsel, as a result of such a deposit, financial arrangements will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in the Escrow Fund.

THE BONDS

General Description

The Bonds will bear interest from July 1, 2020 and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page hereof. Interest on the Bonds will be paid on September 1, 2020 and on each March 1 and September 1 (each an “Interest Payment Date”) thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in the denomination of $5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrar for the Bonds is Zions Bancorporation, National Association, dba Amegy Bank, Houston, Texas (the “Paying Agent”).

Redemption Provisions

Optional Redemption…The Bonds maturing on and after September 1, 2029, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2028, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption.

Notice of Redemption…The Paying Agent/Registrar shall give written notice of redemption, by first class mail, overnight delivery, email, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the Registered Owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than $5,000 may be redeemed in part ($5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District, if less than all of the Bonds of a particular maturity are to be redeemed, the Paying Agent is required to select the Bonds of such maturity to be redeemed by lot.

Termination of Book-Entry-Only System

The Bonds are subject to the book-entry-only system administered by DTC. See "BOOK-ENTRY-ONLY SYSTEM." In the event, that the book-entry-only system is discontinued by DTC or the District, the following provisions will be applicable to the Bonds.

Payment …Principal of the Bonds will be payable at maturity to the registered owners as shown by the registration books maintained by the Paying Agent upon presentation and surrender of the Bonds to the Paying Agent at the designated office for payment of the Paying Agent in Houston, Texas (the "Designated Payment/Transfer Office"). Interest on the Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent by United States mail, first class, postage prepaid, to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent requested by a registered owner at the risk and expense of such registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

Registration… If the book-entry-only system is discontinued, the Bonds may be transferred and re-registered on the registration books of the Paying Agent only upon presentation and surrender thereof to the Paying Agent at the Designated Payment/Transfer Office. A Bond also may be exchanged for a Bond or Bonds of like maturity and interest and having a like aggregate principal amount or maturity amount, as the case may be, upon presentation and surrender at the Designated Payment/Transfer Office. All Bonds surrendered for transfer or exchange must be endorsed for assignment by the execution by the registered owner or his duly authorized agent of an assignment form on the Bonds or other instruction of transfer acceptable to the Paying Agent. Transfer and exchange for Bonds will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such transfer or exchange. A new Bond or Bonds, in lieu of the Bond being transferred or exchanged, will be delivered by the Paying Agent to the registered owner, at the Designated Payment/Transfer Office of the Paying Agent or by United States mail, first-class, postage prepaid. To the extent reasonably possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer in the denominations of $5,000 or any integral multiple thereof.

Limitation on Transfer of Bonds…Neither the District nor the Paying Agent shall be required to make any transfer, conversion or exchange to an assignee of the registered owner of the Bonds (i) during the period commencing on the close of business on the 15th calendar day of the month preceding each Interest Payment Date (the "Record Date") and ending with the opening of business on the next following principal or Interest Payment Date, or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds…If a Bond is mutilated, the Paying Agent will provide a replacement Bond in exchange for the mutilated Bond. If a Bond is destroyed, lost or stolen, the Paying Agent will provide a replacement Bond upon (i) the filing by the registered owner with the Paying Agent of evidence satisfactory to the Paying Agent of the destruction, loss or theft of the Bond and the authenticity of the registered owner's ownership, and (ii) the furnishing to the Paying Agent of indemnification in an amount satisfactory to hold the District and the Paying Agent harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond must be borne by the registered owner. The provisions of the Bond Order relating to the replacement Bonds are exclusive and to the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and cost of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds. The Bonds are obligations of the District and are not the obligations of the State of Texas; Galveston County, Texas; or Texas City, Texas; or any other political subdivision or any entity other than the District.

Funds

In the Bond Order, the Debt Service Fund is created and established, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, in such fund.

Upon the receipt by the District of the purchase price for the Bonds, the accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds, including interest earnings thereon, after payment of certain issuance costs shall be deposited into the Escrow Account, to be used for the purposes described in the Bond Order. See "Sources and Uses of Funds" for a more complete description of the use of Bond proceeds.

Authority for Issuance

The Bonds are issued by the District, pursuant to the terms and conditions of the Bond Order and the Pricing Certificate, Chapter 1207, Article XVI, Section 59 of the Constitution of the State of Texas, Chapters 49 and 51 of the Texas Water Code, as amended, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

Before the Bonds can be issued, the Attorney General of Texas must initially pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

Registration and Transfer

So long as the Bonds remain outstanding, the Paying Agent shall keep the register at its designated corporate trust office and, subject to such reasonable regulations as it may prescribe, the Paying Agent shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order.

Each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal corporate trust office of the Paying Agent, duly endorsed for transfer, or accompanied by an assignment duly executed by the registered owner or his authorized representative in form satisfactory to the Paying Agent. To the extent possible and under reasonable circumstances, upon due presentation of any Bond in proper form for transfer, the Paying Agent has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the designated corporate trust office of the Paying Agent for a Bond of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent is authorized to authenticate and deliver exchange Bonds. Each exchange Bond delivered shall be entitled to the benefits and security of the Bond Order to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

Neither the District nor the Paying Agent shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond for a period of forty-five (45) days next preceding the selection of Bonds for redemption or to transfer or exchange any Bond called for redemption.

The District or the Paying Agent may require the registered owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connections with the transfer or exchange of such Bond(s). Any fee or charge of the Paying Agent for such transfer or exchange shall be paid by the District.

Replacement of Paying Agent

Provision is made in the Bond Order for replacement of the Paying Agent by the District. If the Paying Agent is replaced by the District the new Paying Agent shall act in the same capacity as the previous Paying Agent. Any Paying Agent selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent for the Bonds.

Lost, Stolen or Destroyed Bonds

Upon presentation and surrender to the Paying Agent of a mutilated Bond, the Paying Agent shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the registered owner requested by the District or the Paying Agent and an indemnity bond, and such other security or indemnity as is satisfactory to the District and the Paying Agent to hold them harmless, and satisfaction by the registered owner of any other reasonable requirements of the District and the Paying Agent, execute and the Paying Agent shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered owners of lost, stolen or destroyed Bonds will be required to pay the District's cost to replace such Bonds (including, but not limited to the fees and expenses of the Paying Agent). In addition, the District or the Paying Agent may require the registered owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Texas Commission on Environmental Quality (the "TCEQ"), necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT - General." The District's voters authorized at an election on May 4, 2019 the issuance of $39,840,000 unlimited tax bonds for constructing and or acquiring water and wastewater facilities. The District also has $5,000,000 in authorized but unissued unlimited tax bonds from the $15,000,000 authorized at election held in the District on May 14, 2011. Any additional bonds sold would be on parity with or subordinate to the Bonds.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "INVESTMENT CONSIDERATIONS - Future Debt."

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of such bonds by the Attorney General of Texas. The District passed a fire protection plan with mandatory fees by vote of its citizens in 2012, but no additional bonding authority was included, and no bonds were issued. The issuance of additional bonds could dilute the investment security for the Bonds.

Remedies in Event of Default

Other than a writ of mandamus and other relief authorized by law, the Bond Order does not expressly provide a specific remedy for a default. Although a registered owner could presumably obtain a judgment against the District for a default in the payment of principal or interest, such judgement could not be satisfied by execution against any property of the District. If the District defaults, a registered owner could petition for a writ of mandamus issued by a court of competent jurisdiction requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. There is no acceleration of maturity of the Bonds in the event of default and consequently the remedy of mandamus might need to be enforced on a periodic basis. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas stature reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "INVESTMENT CONSIDERATIONS - Registered Owners' Remedies, and - Bankruptcy Limitation to Registered Owners' Rights."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

The District makes no representation that the Bonds will be acceptable to banks, savings and loan associations or public entities for investment purposes or to secure deposits of public funds. The District has made no investigation of other laws, regulations or investment criteria which might apply to or otherwise limit the availability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds and as to the acceptability of the Bonds for investment or collateral purposes.

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues, or from ad valorem taxes or both, or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, (b) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment firm not less than AAA or its equivalent. The foregoing obligations may be in book-entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any such

Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.

Specific Tax Covenants

In the Bond Order the District has covenanted with respect to among other matters, the use of the proceeds of the Bonds, and the manner in which the proceeds of the Bonds are to be invested. The District may cease to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that regulations or rulings hereafter promulgated modify or expand provisions of the Internal Revenue Code of 1986, as amended (the "Code"), so that such covenant is ineffective or inapplicable or compliance with such covenant adversely affects the exclusion from gross income of interest on the Bonds under Section 103 of the Code.

Additional Covenants

The District has additionally covenanted in the Bond Order that, to the extent it has the authority to do so, it will (i) maintain the System (as defined herein) in good condition and working order, ordinary wear and tear and obsolescence excepted, and operate the System in an efficient manner and at a reasonable cost, (ii) maintain insurance on the System of a kind and in an amount which usually would be carried by municipal corporations and political subdivisions in Texas engaged in a similar type of business, but considering any governmental immunities to which the District may be entitled, and (iii) keep accurate records and accounts and employ an independent certified public accountant to audit and report on its financial affairs at the close of each fiscal year, such audits to be in accordance with applicable law, rules and regulations and open to inspection in the office of the District.

Amendment to Bond Order

The Bond Order contains provisions to the effect that the District may, without the consent of or notice to any registered owners of the Bonds, amend, change or modify the Bond Order as may be required (a) by the provisions of the Bond Order, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission in the Bond Order, or (c) in connection with any other change that does not in any respect materially and adversely affect the interest of the registered owners of the Bonds. Except for such amendments, changes or modifications, the District shall not amend, change or modify the Bond Order in any manner without the consent of 51% the registered owners in aggregate principal amount of the outstanding Bonds.

Alteration of Boundaries

In certain circumstances under Texas law, the District may alter its boundaries to: (1) upon satisfying certain conditions, annex additional territory; and (2) exclude land subject to taxation within the District that is not served by District facilities if the District simultaneously annexes land of equal acreage and value that may be practicably served by District facilities. No representation is made concerning the likelihood that the District would effect any additional changes in its boundaries.

ANNEXATION AND CONSOLIDATION

Annexation

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

If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Consolidation

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

Approval of the Bonds

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

BOOK-ENTRY-ONLY SYSTEM

The Bonds will be available only in book-entry form. Consequently, purchasers of ownership interests in the Bonds will not receive certificates representing their respective interests in the Bonds. This section describes how ownership of the Bonds is to be transferred and how the payments of principal of and interest on the Bonds are to be paid to and accredited by Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Underwriter and the District believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission ("SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each issue of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating of AA+ by S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest payments, premium, if any, and redemption proceeds on the Bonds, will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased, through its Participant, to the Paying Agent/Registrar, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent/Registrar. The requirement for physical delivery of Bonds in connection with a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent/Registrar's DTC account.

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

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Galveston County, Texas; Texas City; or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. (See "THE BONDS - Source of Payment.") The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Registered Owners' Remedies" below.

Infectious Disease Outlook (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. As described herein under "INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)", federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston/Galveston area and could reduce or negatively affect property values within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds.

The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of COVID-19 upon the District. While the potential impact of COVID-19 on the

District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition. See "INVESTMENT CONSIDERATIONS—Infectious Disease Outbreak (COVID-19)."

Recent Extreme Weather Events; Hurricane Harvey

The greater Houston area, including Galveston County, is subject to occasional severe weather events, including tropical storms and hurricanes. If substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days.

According to Costello, Inc. (the "Engineer") and the District's operators, the District's water and wastewater and system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, according to the Engineer and the District's operators, although the District experienced street flooding, there was no apparent material wind or water damage to any homes or commercial businesses within the District as a result of Hurricane Harvey.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

Land subsidence (a sinking of the surface of the land relative to sea level) has occurred in many areas in the Houston-Galveston area, including the District, and any future subsidence could increase flooding risks. These factors could cause property values in the District to fall and could adversely affect the District's ability to collect taxes to pay interest and principal on the Bonds.

Specific Flood Type Risks

The District is subject to a variety of flood risks:

Ponding (or Pluvial) Flood: Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream of or behind a dam, levee or reservoir.

Riverine (or Fluvial) Flood: Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

Coastal (or Storm Surge) Flood: Coastal, or storm surge, flooding occurs when sea levels or water levels in estuarial rivers, bayous and channels rise to abnormal levels in coastal areas, over and above the regular astronomical tide, caused by forces generated from a severe storm's wind, waves, and low atmospheric pressure. Storm surge is extremely dangerous, because it is capable of flooding large swaths of coastal property and causing catastrophic destruction. This type of flooding may be exacerbated when storm surge coincides with a normal high tide.

The District cannot predict the likelihood of any of the types of floods described above occurring, or the impact on assessed values should such flooding occur.

Impact on District Tax Rates

Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 2019 assessed valuation of the District is $385,681,004 (see "FINANCIAL STATEMENT"). After issuance of the Bonds, the Maximum Annual Debt Service Requirement is estimated to be $2,067,156 (2033) and the Average Annual Debt Service Requirement is estimated to be $1,902,559 (2021through 2033, inclusive). Based on the 2019 assessed valuation and no use of funds on hand, a tax rate of $0.57 per $100 assessed valuation, at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement of $2,067,156 and a tax rate of $0.52 per $100 assessed valuation at a 95% collection rate would be necessary to pay the Average Annual Debt Service Requirement of $1,902,559. Based on the 2020 preliminary assessed valuation and no use of funds on hand, a tax rate of $0.47 per $100 assessed valuation, at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement of $2,067,156 and a tax rate of $0.44 per $100 assessed valuation at a 95% collection rate would be necessary to pay the Average Annual Debt Service Requirement of $1,902,559. See " DEBT SERVICE REQUIREMENTS" and "TAX DATA - Tax Adequacy for Debt Service."

Tax Collections and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. Registered owners of the Bonds are entitled under Texas law to a writ of mandamus to compel the District to perform its obligations. Such remedy would have to be exercised upon each separate default and may prove costly, time consuming and difficult to enforce. Furthermore, there is no trust indenture or trustee, and all legal actions would have to be taken on the initiative of, and be financed by, registered owners to enforce such remedies. The rights and remedies of the registered owners and the enforceability of the Bonds may also be limited by bankruptcy, reorganization and other similar laws affecting the enforcement of creditors' rights generally.

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the registered owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interest of the registered owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the registered owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the registered owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of registered owners of the Bonds may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the U.S. Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law, a water control and improvement district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the U.S. Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby involving the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in determining the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the registered owners could potentially and adversely impair the value of the registered owner's claim.
If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a registered owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the registered owner's claim against a district.

Marketability

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

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See “TAX MATTERS".

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has applied for a bond insurance policy (the “Policy”) to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is issued, investors should be aware of the following investment considerations:

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

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

Neither the District nor the Underwriter has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston/Galveston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

The HGB Area is currently designated as a severe ozone nonattainment area under the 1997 Ozone Standards. While the EPA has revoked the 1997 Ozone Standards, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area "anti-backsliding" requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ's "redesignation substitute" for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in South Coast Air Quality Management District v. EPA, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court's ruling, the TCEQ has developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB Area redesignation request under the 1997 Ozone Standards on September 5, 2018.

The HGB Area is currently designated as a "moderate" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a "marginal" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB Area's economic growth and development.

Water Supply & Discharge Issues. Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) public water supply systems, (2) waste water discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the federal Safe Drinking Water Act ("SDWA") and Environmental Protection Agency's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the "waters of the United States." The District must also obtain a permit from the United States Army Corps of Engineers ("USACE") if operations of the District require that wetlands be filled, dredged, or otherwise altered.

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contains a new definition of "waters of the United States." The stated purpose of the NWPR is to restore and maintain the integrity of the nation's waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states' primary authority over land and water resources. The new definition outlines four categories of waters that are considered "waters of the United States," and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not "waters of the United States," and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The EPA published the NWPR in the Federal Register on April 21, 2020 and went into effect on June 22, 2020 and is currently the subject of ongoing litigation.

Due to ongoing rulemaking activity, as well as existing and possible future litigation, there remains uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Future Debt

The District reserves in the Bond Order the right to issue the remaining $22,090,000 authorized but unissued unlimited tax bonds (see "FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized But Unissued", and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, refunding bonds, inferior lien bonds, and other obligations described in the Bond Order. All the remaining $22,090,000 bonds, which have heretofore been authorized by the voters of the District, may be issued by the District, with the approval of the TCEQ, from time to time as improvement needs arise. If the District does issue future bonds or other debt obligations, such issuance could increase gross debt/property valuation ratios and might adversely affect the investment security of the Bonds. See "THE BONDS – Issuance of Additional Debt."

The District contains approximately 3,200 acres. Approximately 60% of the District acreage is composed of large acreage Farm Home Tracts, of which, the majority of which, are not fully developed. The District currently has approximately 2,661 connections. The connections are estimated to increase to 4,000 by the year 2030 based on historical population growth and available undeveloped lands within the District. The District has previously constructed utilities to provide service to all of the farm home tracts; however, much of the area is not developed to its full capacity and utilities may need to be rehabilitated and additional plant capacity may be needed for full development.

Approval of the Bonds

In addition, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery. Neither the TCEQ nor the Attorney General of Texas passes upon or guarantees the security of the Bonds as an investment, nor have the foregoing authorities passed upon the adequacy or accuracy of the information contained in this Official Statement. See "PLAN OF FINANCING – Sources and Uses of Funds".

DISTRICT MAP

THE DISTRICT

General

San Leon Municipal Utility District (the "District"), is a political subdivision of the State of Texas, created by an act of the 59th Legislature of the State of Texas on May 26, 1965, pursuant to House Bill 1082 Chapter 520 (Vernon's Texas Civil Statutes) and by Order of the Texas Water Rights Commission, now the TCEQ as a conservation and reclamation district under the provisions of Section 59, Article XVI of the Constitution of the State of Texas. The District operates under the provisions of Chapters 49 and 51 of the Texas Water Code. The District operates as a water control and improvement district pursuant to the provisions of Chapters 49 and 51 of the Texas Water Code, as amended, and other general statutes of the State of Texas applicable to water control and improvement districts. The District has a contract for fire protection services with the San Leon Volunteer Fire Department; in addition, the District is empowered to do drainage improvements within the District but has chosen not to do so. The District is subject to the continuing supervision of the TCEQ and is located within the extraterritorial jurisdiction of the City of Texas City, Texas and within the boundaries of Dickinson Independent School District.

At the time of creation, the District contained 5,050 acres of land within its boundaries. Subsequently, on November 19, 1973, the District excluded 1,850 acres of land from its boundaries to Houston Lighting and Power. The current acreage in the District is 3,200.

The District has the statutory authority, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water, and the collection, transportation, and treatment of wastewater. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste collection and disposal service and is empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters of the District and the TCEQ. The District contracts for waste collection and disposal services. The District is also empowered to operate and maintain certain recreational facilities within the District, but to date has not done so.

Location

The District is located in Galveston County approximately two miles east of State Highway 146 on West Galveston Bay, north of Texas City and east of Bacliff. The District is bounded on the north and east by West Galveston Bay, on the west by the former Houston Lighting and Power Company inlet channels and on the south by Dickinson Bay. The District is also approximately 10 miles from the City of Dickinson. The District is on the east side of Interstate Highway 45 approximately 35 miles south of the central business district of the City of Houston and 15 miles north of the central business district of the City of Galveston. The District lies entirely within Galveston County.

Management of the District

Board of Directors

The District is governed by a board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms with elections held in May in each even numbered year. All of the Director's own property in the District.

Name	Position	Length of Service	Term Expires
Joe Manchaca	President	13 years	May 2022
Tyson Kennedy	Vice President	13 years	May 2022
Keith Gossett	Secretary	1.5 years	Nov. 2020 (1)
Kenneth Bishop	Treasurer/Invest. Officer	11 years	Nov. 2020 (1)
Kelly Neason	Asst. Secretary	3 years	May 2022

(1) Due to COVID-19 the Board May 2020 Directors' election has been rescheduled for November 2020.

District Management

The District provides its own utility system management, operating and bookkeeping services. The District employs the following individuals in the following capacities.

District Manager:	Andrew Miller
Office Manager:	Janice Hoffman
Field Supervisor:	Ken Keller

In addition, the District employs six licensed operators and two in training as well as two other personnel.

The District provides a pension plan for its employees. Please see Note 10 in the District's June 30, 2019 Audit attached included in this document.

Consultants

Tax Assessor/Collector

Land and improvements in the District are being appraised by the Galveston County Appraisal District. The Tax Assessor/Collector is appointed by the Board of Directors of the District. The Galveston County Tax Assessor/Collector, Ms. Cheryl E. Johnson, currently serves the District in this capacity under contract.

Engineer

The District's consulting engineer is Costello, Inc. Houston (the "Engineer").

Auditor

The District's audited financial statements for the year ended June 30, 2019 were prepared by McCall Gibson Swedlund Barfoot PLLC. See APPENDIX A for a copy of the District's year end June 30, 2019 audited financial statements.

Financial Advisor

SAMCO Capital Markets, Inc. serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

General Counsel & Co-Bond Counsel

The District has engaged Reid, Strickland & Gillette, LLP, Baytown, Texas, as General Counsel & Co-Bond Counsel in connection with the issuance of the District's Bonds. The fees of Co-Bond Counsel are contingent upon the sale of and delivery of the Bonds.

Co-Bond Counsel

The District has engaged Baker Williams Matthiesen LLP, Houston, Texas, as Co-Bond Counsel in connection with the issuance of the District's Bonds. The fees of Co-Bond Counsel are contingent upon the sale of and delivery of the Bonds.

Special Tax Counsel

The District has engaged Orrick, Herrington & Sutcliffe, LLP, Houston, Texas, as Special Tax Counsel to the District. The fees paid to Special Tax Counsel are contingent upon the sale of and delivery of the Bonds.

Development

Development of the District began in the 1970s. Water and wastewater facilities are available to serve all the currently developed land in the District. As of June 30, 2020, there were 2,661 active single-family home connections in the District. In addition to the single-family connections, there are approximately 60 meters in use at mobile home and RV parks, 78 commercial meters and 47 multi-residential meters. These meters serve approximately 625 Equivalent Single-Family connections.

The District has approximately six miles of property fronting Galveston Bay (the "Bay"). Development along the Bay includes single family residential homes. The remainder of the District consists of smaller homes including various mobile home parks and permanent recreation vehicles. There is no zoning in the District, and therefore, there is no pattern to development of home sites in type, value or maintenance. Of the homes which currently have been designated as homesteads, the average market value as shown on the 2019 tax roll of the District prepared by the Galveston Central Appraisal District is approximately $181,318 and the preliminary 2020 taxable average market value is $202,171.

Commercial development in the District includes fish and shrimp processing companies, oil production, neighborhood grocery stores, restaurants, marinas, boat repair facilities RV Parks and various other retail and service establishments. See "TAX DATA – Principal Taxpayers." Fire projection is provided by the San Leon Volunteer Fire Department, which also provided "Emergency Medical" and "First Responder" services for the San Leon community. A hospital is located in Texas City which is approximately ten minutes away. Schools for the District are provided by the Dickinson Independent School District.

Future Development

The District contains 3,200 acres total. Approximately 60% of the District acreage is composed of large acreage farm home tracts, of which the majority of the tracts are not fully developed. The District currently has approximately 2,661 connections. The connections are estimated to increase to 4,000 by the year 2030 based on historical population growth and available undeveloped lands within the District. The District has previously constructed utilities to serve all of the farm home tracts; however, much of the area is not developed to its full capacity and utilities may need to be rehabilitated. Additional plant capacity is currently the subject of a construction project scheduled to begin in August, 2020.

THE SYSTEM

General

The water and wastewater facilities, the purchase, acquisition and construction of which have been financed by the District with the proceeds of previous bonds issuances, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including, among others, the TCEQ. According to the Engineer, the design of all such facilities has been approved by all governmental agencies, which have jurisdiction over the District.

Operation of the District's waterworks and wastewater facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Water System

The District's primary water supply is surface water provided by the Gulf Coast Water Authority with groundwater as a backup. Groundwater is obtained from one water well located within the District to supplement the supply from the Gulf Coast Water Authority during times of emergency. The District is within the jurisdictional boundaries of the Gulf Coast Water Authority. The Authority combined all of the wells within its boundaries in an aggregated permit. The District is authorized to withdraw 2.1 million gallons for the calendar year 10/1/2019 to 9/30/2020, as part of the combined total aggregated permit. This permit for the water well is renewed on an annual basis and is maintained by the District.

The District currently owns and operates one water supply plant, Water Plant No. 1. The water supply plant currently serves the District up to 1.5 million gallons per day of surface water from the Authority and one well for back up. The District's existing water supply plant has capacity to serve approximately 3,392 ESFCs and is capable of serving the existing development of 3,274 ESFC connections within the District. No funds from this bond sale will be used to construct any development or facility expansion. The District is projected to have 4,000 connections (4,609 ESFC) by 2030.

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 was last amended on June 25, 2016. The Authority represents that a supply of surface water is available to the District through the Mainland System. The District acknowledged that because the water to be supplied under the terms of this Agreement will be supplied by means of the Authority's Industrial Division to the Mainland System, the Authority must comply with certain provisions of the Industrial Division Customer Contracts and certain Water Supply Contracts.

With the 1998 contract amendment and upon the occurrence of the commencement date, participants in the "South Project" became participants in the facilities. The South Project added approximately 25 Million Gallons Per Day (MGD) capacity in the water plant, the South Line, the Galveston Line, the Highway 6 Line, the Alta Loma Pump Station, the 39-Inch Line and the Alta Loma Wells. The actual commencement date was June 1, 2001.

The District's current reserved capacity is 1,785,000 gallons per day of the total capacity in the Mainland Project. The District's "take or pay" quantity is 516,000 gallons per day. The District has expressed an interest in acquiring 694 gallons per minute additional capacity in the expansion of the plant.

The Authority agreed to furnish, install, operate and maintain at or near the point of delivery the necessary equipment and devices of a standard type for measuring the quantity of water delivered to the District. The Authority has the responsibility for reading the measurement devices and maintaining a journal or record book of such readings and the District has access to such journals. The District has the right to request calibration of the meter no more than once every 180 days.

Charges to the District include its share of the Mainland System Raw Charges, Operation Charges, Capital Charges and at times water charges. On September 26, 2006, the contract was ratified for the acceptance of surplus water at a lower rate. During the fiscal year (2019), the District recorded $514,338 in water costs attributable to the contract. The term of this agreement extends through December 31, 2027. The District intends to extend the contract under the terms of renewal. The Authority is the supplier of water in the entire area.

Wastewater System

The existing Wastewater Treatment Plant (WWTP) has a capacity of 950,000 gallons per day (gpd) and is sufficient to handle 3,393 connections or 3,773 ESFCs, based on 280 gpd per connection. The District has a significantly lower usage of approximately 210 gpd/connection and even lower during dry weather periods. While the District has averaged approximately 80% of the WWTP's capacity for the past 24 months, approximately 25% of the capacity used is due to Inflow and Infiltration (I&I). The current permit expires May 13, 2024. While this capacity is adequate to serve the existing District development, the results of the combined growth and I&I issues has made it necessary to expand the facilities to provide proper treatment and management of sanitary flows. The funds from the District's 2019 bond issue are being used to expand the treatment facilities to twice its current capacity to 1,950,000 gpd. The project has been awarded and actual construction is expected to begin in August. The District has seen a significant savings in the bid prices for construction due to COVID-19.

The District has an extensive sanitary sewer collection system that provides service to all property within the District boundaries. As the development within the District continues, rehabilitation of the sanitary collection system will proceed once the treatment plant is complete, as appropriate funding has been authorized by the residents of San Leon.

Drainage System

The drainage of the entire District is distributed through various manmade ditches, underground lines and drainage channels that flow to Dickinson Bay and Galveston Bay and are maintained by Galveston County. When a rainfall event occurs, the rain flows overland to the ditches. From the western edge of the District boundary, the area drains south and east toward Dickinson Bay. The northern side of the District drains north toward Galveston Bay. And the far eastern portion of the District continues to drain eastward to Galveston Bay.

Storm Surge Flood Plain

The District is affected by storm surges rather than 100-year rainfall events due to its close proximity to Galveston Bay and Dickinson Bay. According to Federal Emergency Management Agency Flood Insurance Rate Maps (Panel No. 48167C0064G, 48167C0255G and 48167C0256G, all dated August 15, 2019), approximately 2,847 acres of the District's 3,200 acres are located within Zone AE (Base Elevations Determined) due to flooding effects from a hurricane storm surge in Galveston Bay. Galveston County Flood Plain Management requires all new construction or substantial improvements of non-residential and residential structures within its unincorporated areas to have the lowest floor to be elevated to or above the level of the storm surge flood elevation or 18 inches above natural ground, whichever is higher. The District has not verified that the homes and improvements on any property have been constructed at or above the minimum slab and elevation requirements. The construction of houses and other improvements at or above the minimum slab and elevation requirements does not assure that such structures will not flood under catastrophic events such as major hurricanes. See "INVESTMENT CONSIDERATIONS – Extreme Weather Events Hurricane Harvey"

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Water and Wastewater Operations
Rate and Fee Schedule

The Board of Directors establishes rates and fees for water and sewer service, subject to change from time to time. The following schedule sets forth the rates and fees for the District's water and sewer service, which have been in effect since August 1, 2019.

Water (Monthly Billing

Single-Family & Multi-Residential:

Base Rate 5/8" Meter (includes 2,000 gallons)	$20.00
3,000 to 4,999	$5.50 per 1,000 gallons
5,000 to 7,999	$5.75 per 1,000 gallons
8,000 to 10,999	$6.00 per 1,000 gallons
11,000 to 24,999	$6.25 per 1,000 gallons
25,000 to 44,999	$6.50 per 1,000 gallons
45,000 to 75,999	$6.75 per 1,000 gallons
Over 75,000	$7.00 per 1,000 gallons

Commercial and/or Commercial Multi:

Base Rate (includes 2,000 gallons)	$25.00
3,000 to 4,999	$6.75 per 1,000 gallons
5,000 to 7,999	$7.00 per 1,000 gallons
8,000 to 10,999	$7.25 per 1,000 gallons
11,000 to 24,999	$7.50 per 1,000 gallons
25,000 to 44,999	$7.75 per 1,000 gallons
45,000 to 75,999	$8.00 per 1,000 gallons
Over 75,000	$8.25 per 1,000 gallons

Wastewater (Monthly Billing)

Single-Family & Multi-Residential:

Base Rate (includes 2,000 gallons)	$20.00
3,000 to 4,999	$4.50 per 1,000 gallons
5,000 to 7,999	$4.75 per 1,000 gallons
8,000 to 10,999	$5.00 per 1,000 gallons
Over 11,000	$5.25 per 1,000 gallons

Commercial and/or Commercial Multi:

Base Rate (includes 2,000 gallons)	$20.00
3,000 to 4,999	$4.50 per 1,000 gallons
5,000 to 7,000	$5.00 per 1,000 gallons
8,000 to 10,999	$5.50 per 1,000 gallons
Over 11,000	$6.00 per 1,000 gallons

Water and Wastewater Operating Statement

The following statement sets forth in condensed form the historical operations of the District's water and sewer system. Such summary has been prepared upon information obtained from the District's audited financial statements and records. Reference is made to such statements for further and more complete information. See "APPENDIX A – Audited Financial Statement.

	Fiscal Year End				
	05/31/20 (b)	**06/30/19 (a)**	**06/30/18(a)**	**06/30/17(a)**	**06/30/16(a)**
REVENUE					
Property Taxes	$724,108	$936,834	$628,487	$550,579	$375,324
Water Service	1,404,156	1,352,900	1,173,498	1,115,885	1,061,850
Wastewater Service	1,067,715	1,029,799	920,195	895,413	909,500
Street Lighting	127,208	124,587	127,059	126,999	122,871
Fire Fighting	355,110	264,318	273,152	273,616	264,013
Solid Waste Service	557,894	561,140	572,346	284,769	0
Penalty and Interest	50,186	34,444	33,242	35,419	33,124
Tap Connection & Inspection Fees	250,890	268,685	141,295	242,080	131,095
Miscellaneous Revenues & FEMA Reimbursements	347,412	127,887	149,406	164,026	53,778
TOTAL REVENUES	$4,884,679	$4,700,594	$4,018,680	$3,688,786	$2,951,555
EXPENDITURES					
Service Operations:					
Personnel	$ 777,939	$929,969	$875,399	$910,236	$821,010
Professional Fees	193,381	142,376	151,469	317,231	93,142
Contracted Services	1,840,928	881,267	875,615	595,865	277,780
Purchased Water	532,795	514,338	466,145	436,831	401,450
Utilities	140,223	116,562	126,693	121,567	149,341
Repairs & Maintenance	369,917	1,253,521	326,418	236,383	350,445
Street Lighting	76,323	73,272	73,743	71,871	98,442
Other	887,021	668,056	1,080,906	758,297	539,028
Capital Outlay	381,145 (d)		787,160 (c)	301,782	454,017
Note Principal Paid in Full	0	29,478	38,388	38,100	15,934
Note Interest Paid in Full		553	1,978	3,401	1,348
TOTAL EXPENDITURES	$5,199,672	$4,609,492	$4,803,914	$3,791,564	$3,201,937
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	($314,993)	$91,102	($785,234)	($102,778)	($250,382)
OTHER FINANCING SOURCES (USES)					
Note Proceeds				$ 33,913	$ 57,008
Transfers In (Out)	$ 0	$731,483 (d)	$ 266,123	$ 233,139	
NET CHANGE IN FUND BAL.		$822,585	($519,111)	$164,274	($193,374)
FUND BALANCE:					
Beginning of Year	$1,951,493	$1,128,908	$1,648,019	$1,483,745	$1,677,119
End of Year		$1,951,493	$1,128,908	$1,648,019	$1,483,745

(a) Audited.
(b) Unaudited for fiscal year 2020 beginning July 1.
(c) The income statement for July 31, 2019 includes approximately $731,483 in expenses which were reimbursed from the existing Capital Projects Fund.
(d) In the current fiscal year there is an estimated amount of $381,145 which are capital items. The District anticipates reimbursing the general fund for the majority of these items. A portion of the 2019 bond issue is being used for the rehabilitation of lines which will reduce the large repair items in the operating budget.

DEBT SERVICE SCHEDULE

San Leon MUD

Calendar Year	Outstanding Debt Service	Refunded Debt Service	The Bonds Principal	The Bonds Interest		The Bonds Total D/S	Grand Total Debt Service
2020	$ 1,907,764.60	$ (98,184.38)		$ 119,011.05	(a)	$ 119,011.05	$ 1,928,591.27
2021	1,831,152.52	(376,368.76)	175,000.00	156,200.00		331,200.00	1,785,983.76
2022	1,845,072.52	(380,968.76)	190,000.00	149,200.00		339,200.00	1,803,303.76
2023	1,856,152.52	(380,268.76)	195,000.00	141,600.00		336,600.00	1,812,483.76
2024	1,870,992.52	(384,418.76)	205,000.00	133,800.00		338,800.00	1,825,373.76
2025	1,884,442.52	(403,268.76)	235,000.00	125,600.00		360,600.00	1,841,773.76
2026	1,907,500.02	(691,368.76)	530,000.00	116,200.00		646,200.00	1,862,331.26
2027	1,929,893.76	(700,618.76)	560,000.00	95,000.00		655,000.00	1,884,275.00
2028	1,949,806.26	(713,431.26)	590,000.00	78,200.00		668,200.00	1,904,575.00
2029	1,982,331.26	(725,306.26)	615,000.00	66,400.00		681,400.00	1,938,425.00
2030	2,017,356.26	(735,481.26)	635,000.00	54,100.00		689,100.00	1,970,975.00
2031	2,044,012.52	(748,881.26)	665,000.00	41,400.00		706,400.00	2,001,531.26
2032	2,078,081.26	(761,100.00)	690,000.00	28,100.00		718,100.00	2,035,081.26
2033	2,114,106.26	(776,250.00)	715,000.00	14,300.00		729,300.00	2,067,156.26
2034	1,356,956.26						1,356,956.26
2035	1,378,956.26						1,378,956.26
2036	1,399,768.76						1,399,768.76
2037	1,423,193.76						1,423,193.76
2038	1,200,243.76						1,200,243.76
2039	1,223,850.00						1,223,850.00
2040	1,240,200.00						1,240,200.00
2041	1,258,200.00						1,258,200.00
2042	1,279,850.00						1,279,850.00
2043	1,300,000.00						1,300,000.00
2044	1,318,650.00						1,318,650.00
2045	1,340,800.00						1,340,800.00
2046	1,366,300.00						1,366,300.00
2047	1,390,000.00						1,390,000.00
2048	1,411,900.00						1,411,900.00
2049	1,442,000.00						1,442,000.00
	$ 48,549,533.60	$ (7,875,915.74)	$ 6,000,000.00	$ 1,319,111.05		$ 7,319,111.05	$ 47,992,728.91

(a) Includes issuer cash contribution of $92,977.72

FINANCIAL STATEMENT
(Unaudited as of June 30, 2020)

Assessed Value

2019 Assessed Valuation (100% of estimated market value as of January 1, 2019)	$385,681,004	(a)
2020 Preliminary Assessed Valuation as of January 1, 2020 (100% of estimated market value)	$464,788,040	(a)
Gross Debt Outstanding June 30, 2020	$ 33,325,000	
Less: The Refunded Bonds	$ (6,040,000)	
Plus: The Bonds	$ 6,000,000	
Direct Debt:	$ 33,285,000	
Ratio of Gross Debt to 2019 Assessed Valuation as of January 1, 2019	8.63%	
Ratio of Gross Debt to 2020 Preliminary Assessed Valuation as of January 1, 2020	7.16%	

Estimated Population as of June 2020: 10,556(b)

(a) Certified Taxable Assessed Value within the District on January 1, 2019 $385,681,004 as provided by the Galveston Central Appraisal District ("GCAD"). The Preliminary January 1, 2020 value is estimated to be $464,788,040 as provided by GCAD; however, the number has not yet been certified and is included solely for the purposes of illustration. No taxes will be levied on this assessed value unless it is certified by GCAD. See "TAXING PROCEDURES."

(b) Based on 3.5 residents per completed single-family, multi-residential and commercial-multi (RV/Mobile Home) equivalent single-family connections (ESFCs). The 47 multi-residential connections equate to 51 ESFCs, the 60 commercial-multi equate to 301 ESFC's and the 2,661 single-family connections equate to 2,661 ESFCs.

Unlimited Tax Bonds Authorized but Unissued

Date Authorization	Purpose	Authorized	Issued to Date	Unissued
05/14/2011	Water, Wastewater	$15,000,000	$10,000,000	$5,000,000
05/04/2019	Water, Wastewater	$39,840,000	$22,750,000	$17,090,000
Total		$54,840,000	$32,750,000	$22,090,000

Outstanding Bonds

A.

Dated Date	Series	Purpose	Original Principal Amount	Principal Amount Outstanding 07/01/2020
03/14/2012	2012	Refunding Bonds	$3,055,000	$1,550,000
03/01/2013	2013	Water, Wastewater	$7,000,000	$6,210,000
09/01/2017	2017	Water, Wastewater	$3,000,000	$2,815,000
11/01/2019	2019	Water, Wastewater	$22,750,000	$22,750,000
Sub-Total			**$35,805,000**	**$33,325,000** (a)
03/01/2013	**2013**	***REFUNDED BONDS***	**($6,040,000)**	**($6,040,000)**
07/01/2020	**2020**	**New Refunding Bonds**	**$ 6,000,000 (b)**	**$ 6,000,000 (b)**
Total			**$35,765,000**	**$33,285,000 (c)**

(a) Including the Refunded Bonds.
(b) Including the Bonds.
(c) Includes the Bonds, excludes the Refunded Bonds.

Cash and Investment Balances (Unaudited as of June 30, 2020)

Operating Fund	$ 1,709,783
Debt Service Fund	$ 2,796,130
Capital Projects Fund 2017	$ 864,536
Capital Projects Fund 2019	$20,392,635
Customer Deposit Fund	$ 402,259

Investment Authority and Investment Practices of the District

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

Current Investments

The District's funds are currently invested in TexPool, TexStar and Certificates of Deposit at various financial institutions. This investment portfolio is generally representative of the District's investment practices although the District has in the past or may in the future also invest in authorized Government Securities. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements. The District currently marks its investments to market price monthly.

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Estimated Overlapping Debt Statement

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

Taxing Body	Gross Debt Amount		% of Overlpg. Debt	Amount of Overlpg. Debt
	Amount	As of		
College of the Mainland	$170,560,000	06/30/20	2.90%	$4,946,240
Galveston County	$229,269,447	06/30/20	1.08%	$2,476,110
Dickinson ISD	$295,390,000	0/30/20	8.50%	$25,108,150
TOTAL ESTIMATED OVERLAPPING DEBT				$32,530,500
The District (a)		07/1/20	100.00%	$33,285,000
TOTAL ESTIMATED DIRECT AND OVERLAPPING NET DEBT		08/19/2020		$65,815,500
Ratio of Direct & Overlapping Net Debt to 2019 Assessed Valuation as of January 1, 2019				17.06%
Ratio of Direct & Overlapping Net Debt to 2020 Preliminary Assessed Valuation as of January 1, 2020				14.16%

(a) After issuance of the Refunding Bonds.

Overlapping Taxes for 2019

Overlapping Entity	2019 Tax Rate Per $100 Assessed Valuation
Galveston County	$0.504396
Road & Flood	0.011741
Dickinson Independent School District	1.450000
College of the Mainland	0.204254
The District	0.630000
Total	$2.800391

TAX DATA

Classification of Assessed Valuation (a)

Type Property	2019 Amount	%	2018 Amount	%
Single-Family Residence	$302,387,805	78.74	$280,797,552	78.39
Multi-Family Residence	2,664,733	0.70	2,779,917	0.78
Vacant Lots & Land Tracts	38,855,460	10.12	38,447,039	10.73
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	5.36	17,573,452	4.91
Gas Distribution System	368,460	0.10	339,040	0.09
Electric Co. (Including Co-Op)	2,566,120	0.67	2,229,810	0.62
Telephone Co. (Inc. Co-Op)	360,390	0.09	436,775	0.12
Pipeline Company	19,160	0.00	14,822	0.00
Commercial Personal Prop.	4,871,450	1.27	4,712,880	1.31
Industrial & Manufacturing PP	882,560	0.23	1,064,251	0.29
Tangible Other Pers. Mobile Home	6,631,619	1.73	6,254,325	1.75
Residential Inventory	533,750	0.14	580,860	0.16
Special Inventory	4,340	0.00	13,930	0.00
Total Appraised Value	$384,021,701	100.00%	$358,199,802	100.00%

(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.

Tax Collections

The following statement of tax collections reflects the historical tax collection experience of the District. Such summary has been prepared for inclusion herein based upon information from District audits and records of the District Tax Assessor/Collector. Reference is made to such audits and records for further and more complete information. See "Classification of Assessed Valuation" above.

	Assessed Valuation	Tax Rate	Tax Levy	Current Amount	Current %	Total Amount	Total %	Fiscal Year Ending
2015	253,141,196	0.45	1,139,135	1,051,995	92.42	1,129,692	99.17	06/30/16
2016	267,779,796	0.45	1,205,009	1,136,938	94.18	1,193,615	99.05	06/30/17
2017	339,750,351	0.45	1,528,877	1,426,536	93.31	1,506,425	98.53	06/30/18
2018	358,199,802	0.45	1,611,899	1,504,882	93.36	1,574,872	97.70	06/30/19
2019	385,681,004	0.63	2,429,790	2,233,631	91.93	2,233,631	91.93	06/30/20 (a)

(a) The 2019 tax collections through May 31, 2020. The District's fiscal year end is June 30.

District Tax Rates

Tax Rate Per $100 A.V.	2019	2018	2017	2016	2015	2014
Debt Service	$0.45	$0.18	$0.2582	$0.2459	$0.2622	$0.30
Maintenance	$0.18	$0.27	$0.1918	$0.2041	$0.1878	$0.15
Total	$0.63	$0.45	$0.4500	$0.4500	$0.4500	$0.45

Tax Rate Limitation

The District's tax rate for debt service on the Bonds is legally unlimited as to rate or amount. As shown above under "District Tax Rates", the District levied a debt service tax of $0.45 per $100 assessed valuation for tax year 2019.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect a continuing direct ad valorem tax for planning, maintaining, repairing and operating of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to debt service taxes, which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds, the Bonds, and any tax bonds which may be issued in the future. At an election held within the District on August 14, 1999, voters of the District authorized the levy of a maintenance tax not to exceed $0.30 per $100 of assessed valuation of taxable property within the District. As shown above under "District Tax Rates," the District levied a maintenance and operations tax of $0.18 per $100 assessed valuation for tax year 2019.

Top Taxpayers

The following list of principal taxpayers was provided by Galveston County Appraisal District based on the 2019 and 2018 tax rolls of the District, which reflect ownership as of January 1, of each year shown.

Taxpayer	Type of Property	2019	2018
Centerpoint Energy Inc.	Utility	$2,566,120	$2,229,810
Halili, Hajrulla Trustee	Residence & Business	2,111,097	1,716,900
Halili - Residence	Residence	1,693,521	1,538,655
Wiggins - Residence	Residence	1,534,110	1,524,990
Jardina - Residence	Residence	1,454,430	1,261,130
Gazania Invetments LLC	Residence & Business	1,185,737	(a)
Moore - Residence	Residence	1,142,487	1,142,487
MP Apartments LLC	Multi-Family Apts.	(a)	1,116,913
Shahroodi, Shahrokh	Residence	1,110,590	1,007,050
Halili Razz Trust	Residence & Business	1,092,610	(a)
Cassius Limited	Residence	1,037,590	1,040,370
Barrett, Stephen P & Sheryl	Residence	(a)	1,011,010
Total		$14,928,292	$13,589,315
Percent of Assessed Valuation		3.87%	3.79%

(a)Not a top ten taxpayer in respective year.

Tax Adequacy for Debt Service

The calculations shown below are solely for purposes of illustration only and are based on the certified assessed value for 2019 as of January 1, 2019 and the preliminary assessed value for January 1, 2020 and utilize tax rates adequate to service the District's total projected debt service requirements, including the Bonds. No available debt service funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments - Impact on District Tax Rates."

Projected Average Annual Debt Service Requirements on the Bonds (2021 through 2033)	$1,902,559
$0.52 Tax Rate on 2019 Assessed Valuation as of January 1, 2019 of $385,681,004 @ 95% collections produces........	$1,905,264
$0.44 Tax Rate on 2020 Preliminary Assessed Valuation as of January 1, 2020 of $464,788,040 @ 95% collections produces........	$1,942,814
Projected Maximum Annual Debt Service Requirements on the Bonds (2033)	$2,067,156
$0.57 Tax Rate on 2019 Assessed Valuation as of January 1, 2019 of $385,681,004 @ 95% collections produces........	$2,088,463
$0.47 Tax Rate on 2020 Preliminary Assessed Valuation as of January 1, 2020 of $464,788,040 @ 95% collections produces........	$2,075,279

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy a continuing direct ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS - Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS – Source of Payment." Under Texas law, the Board is also authorized to levy and collect a continuing direct annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by its voters. See "TAX DATA - Tax Rate Limitation".

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Galveston Central Appraisal District (the "Appraisal District" or "GCAD") has the responsibility for appraising property for all taxing units within Galveston County, including the District. Such appraisal values are subject to review and change by the Galveston Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax roll and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 depending on the disability rating of the veteran if such rating is less than 100%. A veteran who receives a disability rating of 100%, and subject to certain conditions, the surviving spouse of such a veteran is entitled to the exemption for the full amount of the residential homestead. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating of the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty (20%) percent of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. In 1989 the District adopted a 10% general homestead exemption.

Tax Abatement: Galveston County may designate all or a part of the area within the District as a reinvestment zone. Thereafter, Galveston County and the District may enter into tax abatement agreements with owners of real property within such zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction for a period of up to ten years, all or any part of the increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvement or repairs to the property in conformity with a comprehensive plan. To date, none of the area within the District has been designated as a reinvestment zone and the District has not executed any abatement agreements.

Freeport Goods and Goods-in-Transit Exemptions:

Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990, may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. Article VIII, section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property. The District has not elected to tax goods-in-transit and does not exempt Freeport property from taxation.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the GCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and formally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price that such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation, and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires the GCAD to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in the GCAD at least once every three years. It is not known what frequency of reappraisal will be utilized by the GCAD or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the GCAD a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the GCAD chooses formally to include such values on its appraisal roll.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer the collection functions to another governmental entity. Each year the rate of taxation is set by the Board based upon (a) the valuation of property within the District as of the preceding January 1and (b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due or when billed and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. In addition, if the District engages an attorney for the collection of delinquent taxes, the Board may impose a further penalty not to exceed 20% on all taxes, penalty and interest unpaid on July 1. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. Additionally, the owner of a residential homestead property that is a person sixty-five (65) years of age or older is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per $100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Low Tax Rate Districts

Low Tax Rate Districts that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Low Tax Rate District is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Other Districts

Districts that do not meet the classification of a Low Tax Rate District or a Developed District are classified as Other Districts. The qualified voters of these districts, upon the Other District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If a rollback election is called and passes, the total tax rate for Other Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

The District

A determination as to a district's status as a Low Tax Rate District, Developed District or Other District will be made on an annual basis, at the time a district sets its tax rate, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new rollback election calculation.

District's Rights In The Event Of Tax Delinquencies

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

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

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceeding which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS - General - Tax Collections and Foreclosure Remedies."

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without limitation as to rate or amount, upon all taxable property within the District. The District will also furnish the approving legal opinion of Baker Williams Matthiesen LLP, Houston, Texas, and Reid Strickland & Gillette, LLP, Baytown, Texas, Co-Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. The District will also deliver the legal opinion of Special Tax Counsel to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See “Tax Matters” below. The legal opinion of Co-Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, upon all taxable property within the District. Errors or omissions in the printing of such legal opinion on the Bonds shall not affect the validity of the Bonds nor constitute cause for the failure or refusal by the Underwriter to accept delivery of and pay for the Bonds.

The legal fees to be paid to Co-Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and therefore such fees are contingent upon the sale and delivery of the Bonds.

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

Legal Review

Co-Bond Counsel has reviewed the information appearing in this Official Statement under the caption "THE DISTRICT - General," "THE BONDS (other than “Book-Entry Only)," "TAXING PROCEDURES," "LEGAL MATTERS," and “CONTINUING DISCLOSURE OF INFORMATION,” (other than information regarding “Compliance with Prior Undertakings”) and Special Tax Counsel has reviewed the information appearing under “TAX MATTERS”, each solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Co-Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District or the developers for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Co-Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is to their knowledge then pending or threatened, either in state or federal courts, contesting or attaching the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe, LLP, Special Tax Counsel ("Special Tax Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Special Tax Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal minimum taxes. A complete copy of the proposed form of opinion of Special Tax Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Special Tax Counsel assumes the accuracy of these representations and compliance with these covenants. Special Tax Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Tax Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Special Tax Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Tax Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Special Tax Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations, or litigation, as to which Special Tax Counsel is expected to express no opinion.

The opinion of Special Tax Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Tax Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Special Tax Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Special Tax Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Special Tax Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Qualified Tax-Exempt Obligations

The District designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended. Pursuant to that section of the Code, a qualifying financial institution will be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated "bank-qualified" investments.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds subject to amendment to or repeal of same as set forth below. Under the agreement, the District will be obligated to provide certain financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). See "CONTINUING DISCLOSURE OF INFORMATION—Listed Event Notices". The MSRB has established the Electronic Municipal Market Access ("EMMA") system for access to such information.

Annual Reports

The District will provide certain updated financial information and operating data, which is customarily prepared by the District and publicly available, annually to MSRB. The financial information and operating data which will be provided with respect to the District all quantitative financial information and operating data of the general type included in the Official Statement under the heading "APPENDIX A – District Audited Financial Statements", "PROJECTED DEBT SERVICE REQUIREMENTS", "FINANCIAL STATEMENT – Assessed Value", "-Estimated Overlapping Debt Statement", "-Overlapping Taxes" and "TAX DATA.". Such financial information and operating data may be incorporated in the District's Audited Financial Statements such information may be included in APPENDIX A (the District's Audited Financial Statements). The District will update and provide this information to MSRB within six months after the end of each of its fiscal years ending in or after 2020. Any information concerning the District so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report of the District is not complete within such period, then the District shall provide unaudited financial statements for the applicable entity and fiscal year to MSRB within such six-month period and audited financial statements when the audit report becomes available.

The District may provide such information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial information and operating data which is customarily prepared by the District by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is June 30. Accordingly, it must provide updated information by December 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify MSRB of the change.

Listed Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District, or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of financial obligation of the District, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under terms of a financial obligation of the District, any of which reflect financial difficulties. In addition, the District will provide the MSRB, in a timely manner, notice of any failure by the District to provide the required annual financial information described above under "Annual Reports" and any notices of material events in accordance with this section. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds not the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

For purposes of the event numbered (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under a U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement of liquidation by a court or governmental authority having supervision or jurisdiction over substantially all the assets or business of the District. A "financial obligation" as described in (15) and (16) above means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, and existing or planned obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities as to which a final official statement has been provided to MSRB consistent with the Rule.

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through the EMMA internet portal at www.emma.msrb.org.

Compliance with Prior Undertakings

In the past five years, the District has complied in all material respects with continuing disclosure agreements made by it pursuant to SEC Rule 15c2-12.

OTHER INFORMATION

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the District's records, audited financial statements, and other sources that are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, and orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and orders. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Forward Looking Statements

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The District's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, regulatory circumstances and conditions, and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions of future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

OFFICIAL STATEMENT

Preparation

The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Engineer and information from certain other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not be construed as a representation on the part of the District except as described below under "Certification of Official Statement". Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as the Financial Advisor to the District to render certain professional services including advising the District on a plan of financing and preparing the Official Statement. In its capacity as Financial Advisor, SAMCO Capital Markets, Inc. has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

Consultants

In approving this Official Statement, the District has relied upon the following consultants:

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the System and in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Costello, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in the Official Statement relating to the certified assessed valuation of property in the District and, in particular such information contained in the sections captioned "FINANCIAL STATEMENT" and "TAX DATA" has been provided by the Galveston Central Appraisal District, in reliance upon the authority as experts in appraising and tax assessing.

Tax Assessor/Collector: The information contained in this Official Statement relating to principal taxpayers and tax collection rates has been provided by Ms. Cheryl Johnson Galveston County Tax Assessor/Collector in reliance upon her authority as an expert in the field of tax assessing and collecting.

Auditor: The District's financial statements for the year ending June 30, 2019, were audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's June 30, 2019, financial statement.

Updating the Official Statement During Underwriting Period

If, subsequent to the date of the Official Statement to and including the date the Underwriter is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Underwriter of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Underwriter a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Underwriter, unless the Underwriter elects to terminate its obligation to purchase the Bonds as described below. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Underwriter (the "end of the underwriting period" within the meaning of the Rule), unless the Underwriter provides written notice to the District that less than all the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Underwriter provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Underwriter agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

Certification as to Official Statement

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

/s/ Joe Manchaca
President, Board of Directors
San Leon Municipal Utility District

/s/ Keith Gossett
Secretary, Board of Directors
San Leon Municipal Utility District

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PHOTOGRAPHS

The enclosed photos were taken in the District. The following photographs were taken in the District. The homes shown in the photographs are representative of the type of construction presently located within the District, and these photographs are presented solely to illustrate such construction. The District makes no representation that any additional construction such as that as illustrated in the following photographs will occur in the District.

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SAN LEON
MUNICIPAL UTILITY
DISTRICT
WATER DEPARTMENT
443 24th STREET
Phone 281-339-1586 • Emergency 281-779-4043


STOP


ROAD
WAY
Get 2 for
ICE


BAYSHORE
GRILL & BILLIARDS


DOLLAR GENERAL
1100

APPENDIX A
District Audited Financial Statements

The information contained in this appendix has been excerpted from the audited financial statements of San Leon Municipal Utility District for the fiscal year ended June 30, 2019. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

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SAN LEON MUNICIPAL UTILITY DISTRICT

GALVESTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2019

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

SAN LEON MUNICIPAL UTILITY DISTRICT

GALVESTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2019

TABLE OF CONTENTS

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McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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9600 Great Hills Trail
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(512) 610-2209
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, 2019, 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, 2019, 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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

September 18, 2019

SAN LEON MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019. 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.

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"). A budgetary comparison schedule is included as RSI for the General Fund.

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 $5,400,749 as of June 30, 2019. 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).

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		
	2019	2018	Change Positive (Negative)
Current and Other Assets	$ 5,547,022	$ 6,201,514	$ (654,492)
Capital Assets (Net of Accumulated Depreciation)	11,612,344	11,588,260	24,084
Total Assets	$ 17,159,366	$ 17,789,774	$ (630,408)
Bonds and Notes Payable	$ 11,004,259	$ 11,501,090	$ 496,831
Other Liabilities	754,358	679,155	(75,203)
Total Liabilities	$ 11,758,617	$ 12,180,245	$ 421,628
Net Position:			
Net Investment in Capital Assets	$ 1,623,937	$ 2,569,789	$ (945,852)
Restricted	1,686,588	1,803,217	(116,629)
Unrestricted	2,090,224	1,236,523	853,701
Total Net Position	$ 5,400,749	$ 5,609,529	$ (208,780)

The following table provides a summary of the District's operations for the years ending June 30, 2019, and June 30, 2018.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	$ 1,612,478	$ 1,525,055	$ 87,423
Charges for Services	3,693,329	3,296,214	397,115
Other Revenues	196,423	183,631	12,792
Total Revenues	$ 5,502,230	$ 5,004,900	$ 497,330
Expenses for Services	5,711,010	5,039,468	(671,542)
Change in Net Position	$ (208,780)	$ (34,568)	$ (174,212)
Net Position, Beginning of Year	5,609,529	5,644,097	(34,568)
Net Position, End of Year	$ 5,400,749	$ 5,609,529	$ (208,780)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2019, were $4,614,490, a decrease of $758,598 from the prior year.

The General Fund fund balance increased by $822,585, primarily due to transfers from the Capital Projects Fund to reimburse for inflow and infiltration expenditures.

The Debt Service Fund fund balance decreased by $114,416, primarily due to the structure of the District's debt service requirements.

The Capital Projects Fund fund balance decreased by $1,466,767, primarily due to transfers to the General Fund and expenditures paid from bond proceeds received in a prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were $141,506 lower than budgeted revenues, primarily due to lower than anticipated service revenues, offset by higher than anticipated tap connection and inspection fees and miscellaneous revenues. Actual expenditures exceeded budgeted expenditures by $123,792, primarily due to higher than anticipated repairs and maintenance and bad debt expense, offset by transfers from the Capital Projects Fund to reimburse capital costs.

CAPITAL ASSETS

Capital assets as of June 30, 2019, total $11,612,344 (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 and generator replacement.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 151,807	$ 151,807	$
Construction in Progress	491,660		491,660
Capital Assets, Net of Accumulated Depreciation:			
Buildings, Vehicles, and Equipment	274,433	341,355	(66,922)
Water System	5,391,779	5,561,816	(170,037)
Wastewater System	5,302,665	5,533,282	(230,617)
Total Net Capital Assets	$ 11,612,344	$ 11,588,260	$ 24,084

LONG-TERM DEBT ACTIVITY

As of June 30, 2019, the District had total bond debt payable of $11,065,000. The changes in the debt position of the District during the fiscal year ended June 30, 2019, are summarized as follows:

Bond Debt Payable, July 1, 2018	$ 11,530,000
Less: Bond Principal Paid	465,000
Bond Debt Payable, June 30, 2019	$ 11,065,000

The District's Series 2013 and 2017 bonds carry insured ratings of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corporation and Municipal Assurance Corp., respectively. The District's underlying rating is "BBB+" (S&P) and "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, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 776,950	$ 121,952
Investments	1,556,912	1,331,113
Cash with Galveston County Tax Office	2,269	1,750
Receivables:		
Property Taxes	138,731	118,651
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of $130,000)	299,227	
Due from Other Funds		192,330
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 2,774,089	$ 1,765,796

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 354,048	$ 1,252,950	$	$ 1,252,950
805,419	3,693,444		3,693,444
	4,019		4,019
	257,382		257,382
		40,000	40,000
	299,227		299,227
497	192,827	(192,827)	
		151,807	151,807
		491,660	491,660
		10,968,877	10,968,877
$ 1,159,964	$ 5,699,849	$ 11,459,517	$ 17,159,366

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, 2019

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 196,238	$
Accrued Interest Payable		
Due to Other Funds	192,827	
Security Deposits	294,800	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 683,865	$ - 0 -
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 138,731	$ 118,651
FUND BALANCES		
Restricted for Authorized Construction	$	$
Restricted for Debt Service		1,647,145
Unassigned	1,951,493	
TOTAL FUND BALANCES	$ 1,951,493	$ 1,647,145
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 2,774,089	$ 1,765,796
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
$ 144,112	$ 340,350	$	$ 340,350
		119,208	119,208
	192,827	(192,827)	
	294,800		294,800
		490,000	490,000
		10,514,259	10,514,259
$ 144,112	$ 827,977	$ 10,930,640	$ 11,758,617
$ - 0 -	$ 257,382	$ (257,382)	$ - 0 -
$ 1,015,852	$ 1,015,852	$ (1,015,852)	$
	1,647,145	(1,647,145)	
	1,951,493	(1,951,493)	
$ 1,015,852	$ 4,614,490	$ (4,614,490)	$ - 0 -
$ 1,159,964	$ 5,699,849		
		$ 1,623,937	$ 1,623,937
		1,686,588	1,686,588
		2,090,224	2,090,224
		$ 5,400,749	$ 5,400,749

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, 2019

Total Fund Balances - Governmental Funds		$ 4,614,490
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.		11,612,344
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District.		297,382
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	$ (119,208)	
Bonds Payable	(11,004,259)	(11,123,467)
Total Net Position - Governmental Activities		$ 5,400,749

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, 2019

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 936,834	$ 652,330
Water Service	1,352,900	
Wastewater Service	1,029,799	
Street Lighting	124,587	
Fire Fighting Service	264,318	
Solid Waste Service	561,140	
Penalty and Interest	34,444	57,456
Tap Connection and Inspection Fees	268,685	
Miscellaneous Revenues	127,887	25,790
TOTAL REVENUES	$ 4,700,594	$ 735,576
EXPENDITURES/EXPENSES		
Service Operations:		
Personnel	$ 929,969	$
Professional Fees	142,376	18,268
Contracted Services	881,267	715
Purchased Water	514,338	
Utilities	116,562	
Repairs and Maintenance	1,253,521	
Street Lighting	73,372	
Depreciation		
Other	668,056	
Capital Outlay		
Debt Service:		
Bond Principal		465,000
Bond Interest		366,009
Note Principal	29,478	
Note Interest	553	
TOTAL EXPENDITURES/EXPENSES	$ 4,609,492	$ 849,992
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 91,102	$ (114,416)
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	$ 731,483	$ -0-
NET CHANGE IN FUND BALANCES	$ 822,585	$ (114,416)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2018	1,128,908	1,761,561
FUND BALANCES/NET POSITION - JUNE 30, 2019	$ 1,951,493	$ 1,647,145

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 1,589,164	$ 23,314	$ 1,612,478
	1,352,900		1,352,900
	1,029,799		1,029,799
	124,587		124,587
	264,318		264,318
	561,140		561,140
	91,900		91,900
	268,685		268,685
42,746	196,423		196,423
$ 42,746	$ 5,478,916	$ 23,314	$ 5,502,230
$	$ 929,969	$	$ 929,969
	160,644		160,644
	881,982		881,982
	514,338		514,338
	116,562		116,562
285,856	1,539,377		1,539,377
	73,372		73,372
		467,576	467,576
514	668,570		668,570
491,660	491,660	(491,660)	
	465,000	(465,000)	
	366,009	(7,942)	358,067
	29,478	(29,478)	
	553		553
$ 778,030	$ 6,237,514	$ (526,504)	$ 5,711,010
$ (735,284)	$ (758,598)	$ 549,818	$ (208,780)
$ (731,483)	$ -0-	$ -0-	$ -0-
$ (1,466,767)	$ (758,598)	$ 758,598	$
		(208,780)	(208,780)
2,482,619	5,373,088	236,441	5,609,529
$ 1,015,852	$ 4,614,490	$ 786,259	$ 5,400,749

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

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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, 2019

Net Change in Fund Balances - Governmental Funds	$ (758,598)
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.	23,314
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.	(467,576)
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.	491,660
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.	465,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	7,942
Governmental funds report note principal payments as expenditures. However, in the Statement of Net Position, note principal payments are reported as decreases in long-term liabilities.	29,478
Change in Net Position - Governmental Activities	$ (208,780)

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, 2019

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.

<u>Financial Statement Presentation</u>

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:

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.

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.

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. The District chose to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements.

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

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal 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.

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. The District does not have any nonspendable fund balances.

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.

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
Amounts Outstanding – June 30, 2019	$ 1,775,000	$ 6,380,000	$ 2,910,000
Interest Rates	3.40%	3.00% - 4.25%	2.25% - 3.25%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2025	September 1, 2019/2033	September 1, 2019/2037
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	N/A	September 1, 2020*	September 1, 2024*

* 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 following is a summary of transactions regarding bonds payable for the year ended June 30, 2019:

	July 1, 2018	Additions	Retirements	June 30, 2019
Bonds Payable	$ 11,530,000	$	$ 465,000	$ 11,065,000
Unamortized Discounts	(152,983)		(10,329)	(142,654)
Unamortized Premiums	94,595		12,682	81,913
Bonds Payable, Net	$ 11,471,612	$ -0-	$ 467,353	$ 11,004,259

Amount Due Within One Year	$ 490,000
Amount Due After One Year	10,514,259
Bonds Payable, Net	$ 11,004,259

NOTE 3. LONG-TERM DEBT (Continued)

As of June 30, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	$ 490,000	$ 348,762	$ 838,762
2021	510,000	330,707	840,707
2022	530,000	313,075	843,075
2023	555,000	295,800	850,800
2024	575,000	277,810	852,810
2025-2029	3,300,000	1,101,544	4,401,544
2030-2034	4,245,000	508,606	4,753,606
2035-2038	860,000	57,009	917,009
	$ 11,065,000	$ 3,233,313	$ 14,298,313

On May 4, 2019, the District voters authorized the issuance of $39,840,000 in bonds for the purpose of construction and acquisition of water, sewer and drainage facilities and improvements. As of June 30, 2019, the District had authorized but unissued bonds in the amount of $5,000,000. 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.

Subsequent to year-end, the District anticipates closing on the sale of its Series 2019 Unlimited Tax Bonds in the amount of $22,750,000. The District anticipates using the proceeds for the Wastewater Treatment Plant Expansion, 48” outfall line and to finance certain engineering and bond issuance costs. As of the date of this report, the bonds have not been sold.

During the year ended June 30, 2019, the District levied an ad valorem debt service tax rate of $0.18 per $100 of assessed valuation, which resulted in a tax levy of $646,119 on the adjusted taxable valuation of $358,607,212 for the 2018 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.

The District’s tax calendar is as follows:

Levy Date	- October 1 or as soon thereafter as practicable.
Lien Date	- January 1.
Due Date	- Upon receipt but not later than January 31.
Delinquent Date	- February 1, at which time the taxpayer is liable for penalty and interest.

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 \$1,465,777 and the bank balance was \$1,615,774. 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, 2019, as listed below:

	Cash	Certificate of Deposit	Total
GENERAL FUND	$ 776,950	$ 212,827	$ 989,777
DEBT SERVICE FUND	121,952		121,952
CAPITAL PROJECTS FUND	354,048		354,048
TOTAL DEPOSITS	$ 1,252,950	$ 212,827	$ 1,465,777

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 FirstSouthwest, a Division of 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.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Certificates of deposit are recorded at acquisition cost. As of June 30, 2019, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
TexPool	$1,344,085	$ 1,344,085
Certificate of Deposit	212,827	212,827
DEBT SERVICE FUND		
TexPool	1,075,891	1,075,891
TexSTAR	255,222	255,222
CAPITAL PROJECTS FUND		
TexSTAR	805,419	805,419
TOTAL INVESTMENTS	$3,693,444	$ 3,693,444

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2019, the District's investments in TexPool and TexSTAR were rated AAAm by Standard and Poor's. The District also manages credit risk by typically investing in certificates of deposit with balances below FDIC and NCUA coverages.

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. The District also manages interest rate risk by investing in certificates of deposit with maturities less than one year.

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, 2019

NOTE 7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019 is as follows:

	July 1, 2018	Increases	Decreases	June 30, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 151,807	$	$	$ 151,807
Construction in Progress		491,660		491,660
Total Capital Assets Not Being Depreciated	$ 151,807	$ 491,660	$ - 0 -	$ 643,467
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			10,327,949
Total Capital Assets Subject to Depreciation	$ 18,974,902	$ - 0 -	$ - 0 -	$ 18,974,902
Less Accumulated Depreciation				
Buildings, Vehicles, and Equipment	$ 623,452	$ 66,922	$	$ 690,374
Water System	2,120,330	170,037		2,290,367
Wastewater System	4,794,667	230,617		5,025,284
Total Accumulated Depreciation	$ 7,538,449	$ 467,576	$ - 0 -	$ 8,006,025
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 11,436,453	$ (467,576)	$ - 0 -	$ 10,968,877
Total Capital Assets, Net of Accumulated Depreciation	$ 11,588,260	$ 24,084	$ - 0 -	$ 11,612,344

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, 2019, the District levied an ad valorem maintenance tax rate of $0.27 per $100 of assessed valuation, which resulted in a tax levy of $969,178 on the adjusted taxable valuation of $358,607,212 for the 2018 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 $514,338 in water costs attributable to this contract. The term of this agreement was extended through December 31, 2027.

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 $17,100.

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 $124,587 in revenues and $73,372 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. During the current fiscal year, the District received $264,318 in fire prevention service revenues.

NOTE 13. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of June 30, 2019, the General Fund recorded a payable in the amount of $192,330 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 $731,483 to reimburse the General Fund for inflow and infiltration expenditures paid in a prior year.

NOTE 14. NOTES PAYABLE

In a prior year, the District entered into a 36-month Equipment Financing Agreement with CNH Industrial Capital America LLC to finance a Case CX31B Compact Excavator. The monthly payments were $1,723 with interest accruing at 5.85% annually on the unpaid balance. This note was paid in full in the current fiscal year.

On October 4, 2016, the District entered into a 36-month Equipment Financing Agreement with CNH Industrial Capital America LLC to finance a Case CX36B Compact Excavator. The monthly payments were $968 with interest accruing at 1.90% annually on the unpaid balance. This note was paid in full in the current fiscal year.

SAN LEON MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

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, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 925,000	$ 936,834	$ 11,834
Water Service	1,400,000	1,352,900	(47,100)
Wastewater Service	1,300,000	1,029,799	(270,201)
Street Lighting	125,000	124,587	(413)
Fire Fighting Service	275,000	264,318	(10,682)
Solid Waste Service	600,000	561,140	(38,860)
Penalty and Interest	32,500	34,444	1,944
Tap Connection and Inspection Fees	150,000	268,685	118,685
Miscellaneous Revenues	34,600	127,887	93,287
TOTAL REVENUES	$ 4,842,100	$ 4,700,594	$ (141,506)
EXPENDITURES			
Services Operations:			
Personnel	$ 974,000	$ 929,969	$ 44,031
Professional Fees	178,000	142,376	35,624
Fire Fighting Expenses	350,000	263,976	86,024
Solid Waste Service	625,000	599,962	25,038
Purchased Water	490,000	514,338	(24,338)
Utilities	130,000	116,562	13,438
Repairs and Maintenance	1,070,000	1,253,521	(183,521)
Street Lighting	85,000	73,372	11,628
Other	583,700	715,416	(131,716)
TOTAL EXPENDITURES	$ 4,485,700	$ 4,609,492	$ (123,792)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 356,400	$ 91,102	$ (265,298)
OTHER FINANCING SOURCES(USES)			
Transfers In(Out)	$ - 0 -	$ 731,483	$ 731,483
NET CHANGE IN FUND BALANCE	$ 356,400	$ 822,585	$ 466,185
FUND BALANCE - JULY 1, 2018	1,128,908	1,128,908	
FUND BALANCE - JUNE 30, 2019	$ 1,485,308	$ 1,951,493	$ 466,185

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, 2019

SAN LEON MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2019

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective September 18, 2018.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
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	$ 8.00
Garbage	$ 19.00

District employs winter averaging for wastewater usage? ____ Yes X No

Total monthly charges per 10,000 gallons usage: Water: $66.25 Wastewater: $58.25 Surcharge: $31.57

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2019

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	270		x 1.0	
<u><</u>¾"	3,454	2,756	x 1.0	2,756
1"	110	99	x 2.5	248
1½"			x 5.0	
2"	36	34	x 8.0	272
3"			x 15.0	
4"	4	4	x 25.0	100
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	3,874	2,893		3,376
Total Wastewater Connections	3,874	2,848	x 1.0	2,848

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

Gallons billed to customers:	156,147,000	Water Accountability Ratio: 72.4 % (Gallons billed/Gallons purchased)
Gallons purchased:	215,662,000	From: Gulf Coast Water Authority

SAN LEON MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2019

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

Does the District have Debt Service standby fees? Yes ___ No _X_

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

5. **LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes __X__ No _____

County in which District is located:

Galveston County, Texas

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

Entirely __X__ 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 __X__

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2019

PERSONNEL EXPENDITURES (Including Benefits)		
Salaries	$	667,725
Payroll Taxes		50,703
Pension		17,100
Payroll Service		2,724
Insurance		191,717
TOTAL PERSONNEL EXPENDITURES	$	929,969
PROFESSIONAL FEES:		
Auditing	$	20,750
Engineering		95,814
Legal		23,312
Financial Advisor		2,500
TOTAL PROFESSIONAL FEES	$	142,376
PURCHASED WATER SERVICE	$	514,338
CONTRACTED SERVICES:		
Tax Collection and Appraisal District	$	12,999
UTILITIES:		
Electricity	$	98,399
Telephone		18,163
TOTAL UTILITIES	$	116,562
REPAIRS AND MAINTENANCE	$	1,253,521
ADMINISTRATIVE EXPENDITURES:		
Computer/Internet	$	37,818
Director Fees		9,300
Dues		1,385
Insurance		76,945
Office Supplies and Postage		44,608
Rents and Leases		14,384
Payroll Taxes		2,990
Election Costs		13,054
Training		8,506
Travel and Meetings		4,183
Other		22,997
TOTAL ADMINISTRATIVE EXPENDITURES	$	236,170

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2019

SOLID WASTE DISPOSAL	$	599,962
SECURITY	$	4,330
FIRE FIGHTING	$	263,976
STREET LIGHTING	$	73,372
OTHER EXPENDITURES:		
Auto and Vehicle Expenditures	$	3,945
Bad Debt Expense		130,000
Chemicals		23,944
Fuel		9,773
Laboratory Fees		20,073
Permit Fees		13,875
Regulatory Assessment		10,559
Sludge Hauling		151,695
Small Tools and Equipment		50,781
Uniforms		9,484
Other		7,757
TOTAL OTHER EXPENDITURES	$	431,886
DEBT SERVICE:		
Note Principal	$	29,478
Note Interest		553
TOTAL DEBT SERVICE	$	30,031
TOTAL EXPENDITURES	$	4,609,492

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

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
INVESTMENTS
JUNE 30, 2019

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
TexPool	XXXX0003	Varies	Daily	$ 1,118,778	$
TexPool	XXXX0004	Varies	Daily	225,307	
Certificate of Deposit	XXXX0007	0.85%	05/23/20	212,827	
TOTAL GENERAL FUND				$ 1,556,912	$ - 0 -
DEBT SERVICE FUND					
TexPool	XXXX0006	Varies	Daily	$ 1,075,891	$
TexSTAR	XXXX6790	Varies	Daily	255,222	
TOTAL DEBT SERVICE FUND				$ 1,331,113	$ - 0 -
CAPITAL PROJECTS FUND					
TexSTAR	XXXX0170	Varies	Daily	$ 805,419	$ - 0 -
TOTAL - ALL FUNDS				$ 3,693,444	$ - 0 -

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2019

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - JULY 1, 2018	$ 107,615		$ 126,453	
Adjustments to Beginning Balance	(1,228)	$ 106,387	(1,591)	$ 124,862
Original 2018 Tax Levy	$ 925,210		$ 616,807	
Adjustment to 2018 Tax Levy	43,968	969,178	29,312	646,119
TOTAL TO BE ACCOUNTED FOR		$ 1,075,565		$ 770,981
TAX COLLECTIONS:				
Prior Years	$ 41,754		$ 55,610	
Current Year	895,080	936,834	596,720	652,330
TAXES RECEIVABLE - JUNE 30, 2019		$ 138,731		$ 118,651
TAXES RECEIVABLE BY YEAR:				
2018		$ 74,098		$ 49,399
2017		17,495		23,554
2016		7,828		9,429
2015		4,975		6,947
2014		2,820		5,640
2013		2,392		4,785
2012		4,244		2,122
2011		3,646		1,823
2010		3,428		1,714
2009		3,088		1,544
2008		2,489		1,244
2007		1,775		887
2006		1,844		1,209
2005 and Prior		8,609		8,354
TOTAL		$ 138,731		$ 118,651

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2019

	2018	2017	2016	2015
PROPERTY VALUATIONS:				
Land	$ 135,855,042	$ 117,759,355	$ 84,601,856	$ 84,231,854
Improvements	300,359,958	267,754,377	225,104,245	204,987,185
Personal Property	8,830,938	8,552,844	9,001,318	9,601,467
Exemptions	(86,438,726)	(92,369,056)	(50,453,116)	(45,715,500)
TOTAL PROPERTY VALUATIONS	$ 358,607,212	$ 301,697,520	$ 268,254,303	$ 253,105,006
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.1800	$ 0.2582	$ 0.2459	$ 0.2622
Maintenance	0.2700	0.1918	0.2041	0.1878
TOTAL TAX RATES PER $100 VALUATION	$ 0.4500	$ 0.4500	$ 0.4500	$ 0.4500
ADJUSTED TAX LEVY*	$ 1,615,297	$ 1,530,523	$ 1,207,959	$ 1,140,276
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	92.35 %	97.32 %	98.57 %	98.95 %

* 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, 2019

	REFUNDING SERIES-2012		
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	$ 225,000	$ 56,525	$ 281,525
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			
	$ 1,775,000	$ 218,875	$ 1,993,875

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

	SERIES-2013		
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	$ 170,000	$ 207,206	$ 377,206
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			
	$ 6,380,000	$ 2,046,736	$ 8,426,736

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

	SERIES - 2017		
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	$ 95,000	$ 85,031	$ 180,031
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
	$ 2,910,000	$ 967,702	$ 3,877,702

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

	ANNUAL REQUIREMENTS FOR ALL SERIES		
Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	$ 490,000	$ 348,762	$ 838,762
2021	510,000	330,707	840,707
2022	530,000	313,075	843,075
2023	555,000	295,800	850,800
2024	575,000	277,810	852,810
2025	600,000	259,105	859,105
2026	625,000	240,109	865,109
2027	660,000	221,185	881,185
2028	690,000	201,363	891,363
2029	725,000	179,782	904,782
2030	765,000	156,307	921,307
2031	805,000	130,794	935,794
2032	845,000	103,579	948,579
2033	890,000	74,513	964,513
2034	940,000	43,413	983,413
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
	$ 11,065,000	$ 3,233,313	$ 14,298,313

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2019

Description	Original Bonds Issued	Bonds Outstanding July 1, 2018
San Leon Municipal Utility District Unlimited Tax Refunding Bonds - Series 2012	$ 3,055,000	$ 1,995,000
San Leon Municipal Utility District Unlimited Tax Bonds - Series 2013	7,000,000	6,535,000
San Leon Municipal Utility District Unlimited Tax Bonds - Series 2017	3,000,000	3,000,000
TOTAL	$ 13,055,000	$ 11,530,000

Bond Authority:	Tax Bonds
Amount Authorized by Voters	$ 61,500,000
Amount Issued	16,660,000
Remaining to be Issued	$ 44,840,000

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

See accompanying independent auditor’s report.

Current Year Transactions				
	Retirements		Bonds Outstanding	
Bonds Sold	Principal	Interest	June 30, 2019	Paying Agent
$	$ 220,000	$ 64,090	$ 1,775,000	Branch Banking and Trust Company Charlotte, NC
	155,000	214,113	6,380,000	Amegy Bank National Association Houston, Texas
	90,000	87,806	2,910,000	Amegy Bank National Association Houston, Texas
$ - 0 -	$ 465,000	$ 366,009	$ 11,065,000	

Debt Service Fund cash, investments and cash with tax office balances as of June 30, 2019:	$ 1,454,815
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 752,543

See accompanying independent auditor's report.

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

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	$ 936,834	$ 628,487	$ 550,579
Water Service	1,352,900	1,173,498	1,115,885
Wastewater Service	1,029,799	920,195	895,413
Street Lighting	124,587	127,059	126,999
Fire Fighting Service	264,318	273,152	273,616
Solid Waste Service	561,140	572,346	284,769
Penalty and Interest	34,444	33,242	35,419
Tap Connection and Inspection Fees	268,685	141,295	242,080
Miscellaneous Revenues and FEMA Reimbursements	127,887	149,406	164,026
TOTAL REVENUES	$ 4,700,594	$ 4,018,680	$ 3,688,786
EXPENDITURES			
Personnel	$ 929,969	$ 875,399	$ 910,236
Professional Fees	142,376	151,469	317,231
Contracted Services	881,267	875,615	595,865
Purchased Water	514,338	466,145	436,831
Utilities	116,562	126,693	121,567
Repairs and Maintenance	1,253,521	326,418	236,383
Street Lighting	73,372	73,743	71,871
Other	668,056	1,080,906	758,297
Capital Outlay		787,160	301,782
Debt Service:			
Note Principal	29,478	38,388	38,100
Note Interest	553	1,978	3,401
TOTAL EXPENDITURES	$ 4,609,492	$ 4,803,914	$ 3,791,564
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 91,102	$ (785,234)	$ (102,778)
OTHER FINANCING SOURCES (USES)			
Note Proceeds	$	$	$ 33,913
Transfers In(Out)	731,483	266,123	233,139
TOTAL OTHER FINANCING SOURCES (USES)	$ 731,483	$ 266,123	$ 267,052
NET CHANGE IN FUND BALANCE	$ 822,585	$ (519,111)	$ 164,274
BEGINNING FUND BALANCE	1,128,908	1,648,019	1,483,745
ENDING FUND BALANCE	$ 1,951,493	$ 1,128,908	$ 1,648,019

See accompanying independent auditor's report.

			Percentage of Total Revenues				
2016	2015		2019	2018	2017	2016	2015
$ 375,324	$ 346,452		20.0 %	15.7 %	14.9 %	12.8 %	12.3 %
1,061,850	902,065		28.8	29.2	30.3	36.0	32.2
909,500	797,213		21.9	22.9	24.3	30.8	28.5
122,871	121,421		2.7	3.2	3.4	4.2	4.3
264,013	260,986		5.6	6.8	7.4	8.9	9.3
			11.9	14.2	7.7		
33,124	26,804		0.7	0.8	1.0	1.1	1.0
131,095	150,305		5.7	3.5	6.6	4.4	5.4
53,778	196,878		2.7	3.7	4.4	1.8	7.0
$ 2,951,555	$ 2,802,124		100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 821,010	$ 802,330		19.8 %	21.8 %	24.7 %	27.8 %	28.6 %
93,142	76,786		3.0	3.8	8.6	3.2	2.7
277,780	279,499		18.7	21.8	16.2	9.4	10.0
401,450	271,963		10.9	11.6	11.8	13.6	9.7
149,341	114,425		2.5	3.2	3.3	5.1	4.1
350,445	396,783		26.7	8.1	6.4	11.9	14.2
98,442	81,787		1.6	1.8	1.9	3.3	2.9
539,028	512,561		14.2	26.9	20.6	18.3	18.3
454,017	271,392			19.6	8.2	15.4	9.7
15,934	10,983		0.6	1.0	1.0	0.5	0.4
1,348	1,131				0.1		
$ 3,201,937	$ 2,819,640		98.0 %	119.6 %	102.8 %	108.5 %	100.6 %
$ (250,382)	$ (17,516)		2.0 %	(19.6) %	(2.8) %	(8.5) %	(0.6) %
$ 57,008	$ 89,243						
$ 57,008	$ 89,243						
$ (193,374)	$ 71,727						
1,677,119	1,605,392						
$ 1,483,745	$ 1,677,119						

See accompanying independent auditor's report.

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

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	$ 652,330	$ 843,259	$ 667,937
Penalty and Interest	57,456	55,427	46,944
Miscellaneous Revenues	25,790	12,624	4,776
TOTAL REVENUES	$ 735,576	$ 911,310	$ 719,657
EXPENDITURES			
Tax Collection Expenditures	$ 18,268	$ 12,000	$ 14,185
Debt Service Principal	465,000	360,000	350,000
Debt Service Interest and Fees	366,724	321,908	305,517
TOTAL EXPENDITURES	$ 849,992	$ 693,908	$ 669,702
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (114,416)	$ 217,402	$ 49,955
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	$ - 0 -	$ 95,880	$ - 0 -
NET CHANGE IN FUND BALANCE	$ (114,416)	$ 313,282	$ 49,955
BEGINNING FUND BALANCE	1,761,561	1,448,279	1,398,324
ENDING FUND BALANCE	$ 1,647,145	$ 1,761,561	$ 1,448,279
TOTAL ACTIVE RETAIL WATER CONNECTIONS	2,893	2,783	2,719
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	2,848	2,725	2,661

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
$ 738,199	$ 673,126	88.7 %	92.5 %	92.8 %	95.4 %	94.2 %
33,358	40,435	7.8	6.1	6.5	4.3	5.7
2,281	772	3.5	1.4	0.7	0.3	0.1
$ 773,838	$ 714,333	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 10,905	$ 10,945	2.5 %	1.3 %	2.0 %	1.4 %	1.5 %
335,000	320,000	63.2	39.5	48.6	43.3	44.8
318,097	330,982	49.9	35.3	42.5	41.1	46.3
$ 664,002	$ 661,927	115.6 %	76.1 %	93.1 %	85.8 %	92.6 %
$ 109,836	$ 52,406	(15.6) %	23.9 %	6.9 %	14.2 %	7.4 %
$ - 0 -	$ - 0 -					
$ 109,836	$ 52,406					
1,288,488	1,236,082					
$ 1,398,324	$ 1,288,488					
2,809	2,637					
2,795	2,536					

See accompanying independent auditor's report.

SAN LEON MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2019

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 June 30, 2019	Expense Reimbursements for the year ended June 30, 2019	Title
Joe Manchaca	05/18 05/22 (Elected)	$ -0-	$ -0-	President
Tyson Kennedy	05/18 05/22 (Elected)	$ 1,800	$ -0-	Vice President
Keith Gossett	09/18 05/20 (Appointed)	$ 2,550	$ 288	Secretary
Kenneth Bishop	05/16 05/20 (Elected)	$ 2,700	$ 232	Treasurer/ Investment Officer
Kelly Neason	05/18 05/22 (Elected)	$ 1,950	$ -0-	Assistant Secretary
Julie Hall	05/16 09/18	$ 300	$ -0-	Resigned

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 (TWC Sections 36.054 and 49.054): February 2, 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, 2019

	Date Hired	Fees/ Compensation for the fiscal year ended June 30, 2019	Title
Key Administrative Personnel:			
Janice Hoffman	07/23/95	$ 80,086	Office Manager
Andrew Miller	01/17/18	$ 78,166	District Manager
Ken Keller	04/96	$ 77,628	Field Supervisor
Consultants:			
Reid, Strickland & Gillette	Prior to 1992	$ 23,312	General Counsel
McCall Gibson Swedlund Barfoot PLLC	06/20/95	$ 20,750	Auditor
Linebarger Goggan Blair and Sampson, LLP	1992	$ 18,268	Delinquent Tax Attorney
Costello, Inc.	05/16/18	$ 334,297	Engineer
AEI Engineering	12/21/10	$ 10,931	Prior Engineer
SAMCO Capital Markets	06/22/03	$ 2,500	Financial Advisor
Galveston County Tax Assessor	9/2002	$ 2,479	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, 2019
(UNAUDITED)

Taxpayer	Type of Property	Taxable Value by Tax Year 2018	Taxable Value by Tax Year 2017
Centerpoint Energy Houston	Utility	$ 2,229,810	(a)
Halili Hajrulla Trustee	Residence & Business	1,716,900	(a)
Halili, Hajrulla	Residence	1,538,655	1,407,868
Wiggins, Matthew Jr.	Residence	1,524,990	2,502,710
Jardina, Charles C.	Residence	1,261,130	2,048,880
Moore, Clifford A. & Pat M.	Residence	1,142,487	1,126,176
MP Apartments LLC	Multi-Family Apt.	1,116,913	1,000,000
Cassius Limited	Residence	1,040,370	1,120,980
Barrett, Stephen P. & Sheryl	Residence	1,011,190	1,011,190
Shahroodi, Shahrokh	Residence	1,007,050	(a)
	Total	$ 13,589,495	$ 10,217,804
	Percent of Assessed Valuation	3.79 %	3.39 %

(a) not a top ten tax payer in respective year.

SAN LEON MUNICIPAL UTILITY DISTRICT
ASSESSED VALUE BY CLASSIFICATION
JUNE 30, 2019
(UNAUDITED)

Classification of Assessed Valuation (a)

	2018		2017	
Type of Property	Taxable Value	%	Taxable Value	%
Single Family Residence	$ 281,076,954	78.39	$ 264,163,243	77.75
Multi-Family Residence	2,779,917	0.78	2,637,229	0.78
Vacant Lots and Land Tracts	38,417,009	10.71	38,836,066	11.43
Qualified Open-Space Land	6,759	0.00	7,358	0.00
Rural Land, Non-Qualified Open Space	3,048,390	0.85	3,112,258	0.92
Commercial Real Property	17,573,452	4.90	16,094,645	4.74
Oil and Gas		0.00	8,286	0.01
Gas Distribution System	339,040	0.09	318,003	0.09
Electric Company (Including Co-Op)	2,229,810	0.62	2,178,280	0.64
Telephone Company (Including Co-Op)	436,775	0.12	454,355	0.13
Pipeland Company	14,822	0.00	12,147	0.00
Commercial Personal Property	4,726,120	1.32	5,097,651	1.50
Industrial and Manufacturing Personal Property	1,064,251	0.30	382,512	0.11
Tangible Other Personal Mobile Home	6,299,123	1.76	6,083,268	1.79
Residential Inventory	580,860	0.16	359,700	0.11
Special Inventory Tax	13,930	0.00	5,350	0.00
Total Appraised Value	$ 358,607,212	100.0	$ 339,750,351	100.0

(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, 2019
(UNAUDITED)

Taxing Body	Amount	As of	% of Overlapping Debt	Amount of Overlapping Debt
Galveston County	$ 247,913,720	7/31/2019	1.06	$ 2,627,885
Dickinson ISD	305,160,000	7/31/2019	8.52	25,999,632
College of the Mainland	104,430,000	7/31/2019	2.91	3,038,913
		Total Overlapping Debt:		$ 31,666,430
San Leon MUD		6/30/2019		$ 11,065,000
		Total District and Overlapping Debt:		$ 42,731,430
		Total Direct and Overlapping Debt % of A.V.:		10.98%
		Total Direct and Overlapping Debt per Capita:		$ 4,674

Overlapping Entity	2018 Tax Rate Per $100 A.V.
Galveston County	$ 0.529831
Road and Flood	0.002067
Dickinson ISD	1.520000
College of the Mainland	0.212755
The District	0.450000
Total	$ 2.714653

APPENDIX B
Special Tax Counsel Opinion

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July 16, 2020

San Leon Municipal Utility District
443 24th Street
San Leon, Texas 77539

We have served as special tax counsel to San Leon Municipal Utility District (the "Issuer") in connection with its issuance of the Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds"), in the principal amount of $6,000,000. The Bonds mature, bear interest and may be transferred and exchanged as set out in the order adopted by the Issuer authorizing the Bonds (the "Bond Order").

We have served as special tax counsel for the sole purpose of rendering an opinion with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the federal income tax law and a transcript of certain certified proceedings pertaining to the issuance of the Bonds. The transcript contains certified copies of certain proceedings of the Issuer; certain certifications and representations and other material facts within the knowledge and control of the Issuer, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds.

Based on our examination as described above and in reliance on the legal opinion of Baker Williams Matthiesen LLP and Reid, Strickland & Gillette, LLP, as Co-Bond Counsel, dated the date hereof, that the Bonds have been authorized and issued in accordance with the Constitution and laws of the State of Texas and are valid and legally binding obligations of the Issuer, we are of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The opinion set forth in the first sentence of the immediately preceding paragraph is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted in the Bond Order and the Federal Tax Certificate executed by the Issuer on the date hereof, to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinion is based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes.

Our opinion is based on existing law, which is subject to change. Such opinion is further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinion to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinion is not a guarantee of result and is not binding on the Internal Revenue Service; rather, such opinion represents our legal judgment as of the date hereof based upon our review of existing law that we deem relevant to such opinion and in reliance upon the representations and covenants referenced above.

Orrick, Herrington & Sutcliffe LLP

APPENDIX C
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Financial Advisory Services
Provided By:

SAMCO Capital