

**EMERALD BAY MUNICIPAL  
UTILITY DISTRICT**

**FINANCIAL STATEMENTS  
(With Independent Auditors' Report Thereon)**

**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

EMERALD BAY MUNICIPAL UTILITY DISTRICT

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September 30, 2020

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS )

2874000

COUNTY OF SMITH )

EMERALD BAY MUD

I, William F. Harris, President of Emerald Bay Municipal Utility District hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 18<sup>th</sup> day of JANUARY, 2021 its annual audit report for the fiscal year ended September 30, 2020 and that copies of the annual audit report have been filed in the district office, located at 155 La Salle Drive, Bullard, Texas.

The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

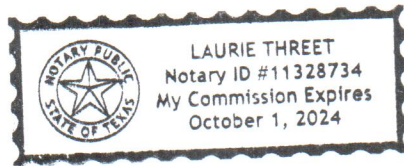
Date: FEB 13<sup>th</sup>, 2021

By: [Signature]  
(Signature of District Representative)

William Harris, President  
(Typed Name & Title of Representative)

Sworn to and subscribed to before me this 1<sup>st</sup> day of Feb, 2021.

Seal



[Signature]  
(Signature of Notary)

My Commission Expires on: October 1, 2024, Notary Public in and for the State of Texas.

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Emerald Bay Municipal Utility District  
Bullard, Texas

We have audited the accompanying statement of Net Position and the related statement of Revenues, Expenses and Changes in Net Position and Cash Flows of Emerald Bay Municipal Utility District as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity'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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Emerald Bay Municipal Utility District as of September 30, 2020, and the Revenues, Expenses and changes in net position and its cash flows for the year then ended in conformity 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 budgetary comparison information, Schedule of Changes in the District's Net Pension Liability/ (Asset) and Related Ratios, and Schedule of Employer Contributions be presented to supplement the basic financial statements. Such information, although not 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 response 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*

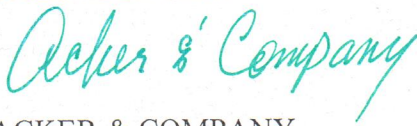
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Emerald Bay Municipal Utility District's basic financial statements. The Texas Supplementary Information Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Texas Supplementary Information Schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements with the exception of TSI-7, which is marked unaudited. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The TSI-7 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 4, 2021, on our consideration of the Emerald Bay Municipal Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



ACKER & COMPANY  
Certified Public Accountants, PC  
Tyler, Texas  
January 4, 2021

## **Emerald Bay Municipal Utility District Management Discussion and Analysis**

The Emerald Bay Municipal Utility District's (District) management discussion and analysis is meant to assist the reader in focusing on financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position and give insight to significant future activities. This analysis is intended to supplement the District's financial statements and should be read in conjunction with that document.

The District was created initially to provide wastewater treatment services to the Emerald Bay community and some contiguous external environs. In 2006, the District also began providing drinking water to the community by drilling its own wells and constructing pipelines to deliver the water to the District's distribution system that was already in place.

In 2009 the District reached agreement with the Emerald Bay Homeowner's Association to lease the development's streets from the Association. As part of the agreement, the District assumed responsibility for repair, maintenance, and improvement of the streets (and bridges) in the Emerald Bay development. The property owners are assessed a monthly fee for these services that is accumulated and maintained separately for the designated usages.

The District is not included in any other governmental reporting entity, nor is any other governmental reporting entity a part of the District.

The District is funded by service charges to customers. Although the District has the authority to levy property taxes to finance its debt, no such taxes are currently levied. The District's current debt issues are revenue notes requiring service charges adequate to service the debt.

The financial statements are comprised of a single enterprise fund utilizing the model prescribed by Governmental Auditing Standards Board Statement 34. Fund financial statements are not presented as the District is comprised of a single fund.

### **Analysis of Overall Financial Position:**

The balance in the account set aside for capital improvements decreased \$126,511 mainly due to expenditures for the upgrade of the District's SCADA system. At September 30, 2020, \$620,552 remained in the account, available for future projects.

The balance in non-restricted cash accounts, \$1,103,971, increased by \$69,000. These funds are designated for normal operating expenses, debt service, and unforeseen contingencies.

Funds accumulated for road maintenance and improvements are \$871,209. A loan of \$1,000,000 was incurred in the prior fiscal year to supplement funds on hand in the Roads and Bridges accounts. A contract in the amount of \$1,760,608 was signed to resurface the streets in Emerald Bay. The monthly fee to homeowners was increased. In addition to a monthly fee being collected for roads, a \$2,000 capital fee is collected when homes are purchased.

Net position in water and wastewater accounts at September 30, 2020 is \$2,806,176. At year end \$1,031,150 is invested in capital assets net of the related debt, \$620,552 is restricted for capital improvements, and \$1,154,474 is unrestricted.

## **Emerald Bay Municipal Utility District Management Discussion and Analysis**

### **Other Asset Comments**

Construction in progress in the water and sewer accounts at the year-end was \$66,703, including partial expenditures for a pipeline under Lake Palestine to our collection ponds and Website upgrades.

### **Long-Term Debt**

The District has three outstanding long-term loans that were used to fund current and prior construction of the water distribution system and drainage improvements. The three loans are:

2010 Revenue Note B with Southside Bank, \$34,534 outstanding with monthly payments of \$4,500 until May 2021.

2014 Revenue Note with Southside Bank, \$3,008,527 outstanding with monthly payments of \$22,678 until September 2034.

2015 Revenue Note with Southside Bank, \$611,093 outstanding with monthly payments of \$9,676 until September 2026. This note was used to retire a previous note that carried a higher interest rate.

The District has one outstanding long-term loan that is being used to fund the road improvements.

2017 Revenue Note with Southside Bank, 28,719 outstanding with monthly payments of \$28,774 until October 2020.

### **Comparison to Budget:**

For the year ended September 30, 2020, total revenues exceeded the budgeted amount by \$18,390 and operating expenses were over budget by \$46,897. Other revenue and expenses were over budget by \$1,675.

### **Current and Future Projects:**

The District aims to be proactive in the upkeep of the water and wastewater systems. The District continually assesses its physical assets for wear and tear in order to plan ahead as much as possible for major overhauls, upgrades, and repair of equipment so as to minimize disturbances in services to customers.

### **Current Projects**

The District is constructing a pipeline from nearby Lake Palestine to the District's retention ponds, from where water is pumped for irrigation on Emerald Bay's golf course (a designated amount of water from the lake is permitted each year). Most of the line from the lake is complete; connection to pumps to deliver water to the ponds should be completed in the next fiscal year.



## Emerald Bay Municipal Utility District Management Discussion and Analysis

### Future Projects

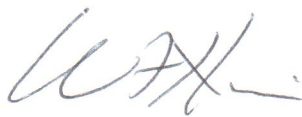
Contemplated projects and purchases (over and above normal maintenance and emergency repairs) include:

Streets: Sealcoat the streets; add fire hydrant markers to streets; purchase small roller and streetsweeper attachment to tractor and other maintenance power hand tools for small street repairs.

Water System: Pressure wash and clearcoat outside of water tower; paint insides of the water tower ball and the ground storage tank; replace and paint the column pipe in the water tower; probably replace Well 1 and 2 submersible pumps and Well 3 pump; extend WiFi to all water wells and install surveillance cameras at the well sites.

Wastewater System: Acquire smoke test machine, mobile air compressor, and sand blaster unit for collection system renovation; locate, renovate, and GPS all man holes and cleanouts; major rehabilitation of Lift Stations 1, 2, 3, 4, 6, 7, and 8; add small generators to Lift Stations 1, 2, 4, 5, 6, and 7; move golf course pump house generator to Well 3; swap diesel pump at Lift Station 3 with 65 KW mobile generator; repair and rehabilitate collection system pipes to stop inflow and infiltration of rain water into the treatment plant; re-route wastewater pipeline from under the church ponds to around the ponds; replace or repair the 18-inch pipeline from the effluent storage ponds to the golf course pump house; correct drainage problems in the sludge field; a pretreatment system to prevent trash from entering the wastewater plant; new media lined dumpster for sludge de-watering to replace the current bagging system; and liners for the effluent ponds.

Administrative: Enlarge the equipment storage area and update the computer server.



William Harris, President  
Emerald Bay Municipal Utility District

**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**September 30, 2020**

	<b>ASSETS</b>		
	Water & Sewer Accounts	Roads & Bridges Accounts	Total Enterprise Funds
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 1,725,576	\$ 871,209	\$2,596,785
Receivables-Service Charges	100,461	33,831	134,292
Receivables-Interaccount	-	29,105	29,105
Other Current Assets	2,720	-	2,720
Inventory	32,485	-	32,485
Total Current Assets	1,861,242	934,145	2,795,387
<b>Noncurrent Assets:</b>			
Net Pension Asset	20,582	-	20,582
<b>Capital Assets</b>			
Land, Land Improvements & Easements	172,092	-	172,092
Sewer System	3,983,989	-	3,983,989
Water Distribution System	4,960,449	-	4,960,449
Greens Drainage	671,060	-	671,060
Other Equipment	179,988	-	179,988
Roads & Bridges	-	1,427,303	1,427,303
Construction-in-Progress	66,703	-	66,703
Less: Accumulated Depreciation	(5,348,977)	(176,099)	(5,525,076)
Total Capital Assets	4,685,304	1,251,204	5,936,508
Total Noncurrent Assets	4,705,886	1,251,204	5,957,090
<b>TOTAL ASSETS</b>	<b>\$ 6,567,128</b>	<b>\$ 2,185,349</b>	<b>\$ 8,752,477</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge on Pension Contributions	1,257	-	1,257
Deferred Charge on Pension Actuarial Losses	1,613	-	1,613
Total Deferred Outflows of Resources	\$ 2,870	\$ -	\$ 2,870

See accompanying notes to financial statements.

**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**September 30, 2020**

**LIABILITIES**

	<u>Water &amp; Sewer Accounts</u>	<u>Roads &amp; Bridges Accounts</u>	<u>Total Enterprise Funds</u>
Current Liabilities:			
Accounts Payable	\$ 54,502	\$ -	\$54,502
Construction Accounts Payable	-	-	-
Interaccounts Payable	29,105	-	29,105
Accrued Expenses	15,646	-	15,646
Retainages Payable	-	-	-
Revenue Notes Payable-Current Portion	297,786	28,719	326,505
Total Current Liabilities	397,039	28,719	425,758
Noncurrent Liabilities:			
Revenue Notes Payable-Noncurrent Portion	3,356,368	-	3,356,368
Total Noncurrent Liabilities	3,356,368	-	3,356,368
Total Liabilities	\$ 3,753,407	\$ 28,719	\$ 3,782,126
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Revenue on Pension Actuarial Gains	10,415	-	10,415
Total Deferred Outflows of Resources	\$ 10,415	\$ -	\$ 10,415

**NET POSITION**

Invested in Capital Assets Net of Related Debt	1,031,150	1,222,485	2,253,635
Restricted For Capital Improvements	620,552	-	620,552
Restricted for Roads & Bridges	-	934,145	934,145
Unrestricted	1,154,474	-	1,154,474
Total Net Position	2,806,176	2,156,630	4,962,806
TOTAL LIABILITIES AND NET POSITION	\$ 6,559,583	\$ 2,185,349	\$ 8,744,932

See accompanying notes to financial statements.

**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION - PROPRIETARY FUND**  
**September 30, 2020**

	Water & Sewer Accounts	Roads & Bridges Accounts	Total Enterprise Funds
<b>Operating Revenues:</b>			
Service Fees	\$ 950,529	\$ 351,453	\$ 1,301,982
Connection & Transfer Fees	23,100	-	23,100
Capital Assessments	-	96,000	96,000
Other Operating Revenues	4,102	8,596	12,698
Total Revenues	<u>977,731</u>	<u>456,049</u>	<u>1,433,780</u>
<b>Operating Expenses:</b>			
Annual Dues and Fees	3,159	-	3,159
Audit and Legal	9,640	1,212	10,852
Education	1,712	-	1,712
Engineering and Consulting	5,145	-	5,145
Insurance	19,321	-	19,321
Licenses and Assessments	2,712	-	2,712
Miscellaneous	19,777	-	19,777
Office and Collections	15,790	488	16,278
Office Payroll	26,558	-	26,558
Plant Operating	18,172	-	18,172
Payroll	133,870	-	133,870
Repairs and Maintenance	52,133	529	52,662
Roads Administration	(24,000)	37,205	13,205
Utilities	98,780	-	98,780
Depreciation	340,753	57,092	397,845
Total Operating Expenses	<u>723,522</u>	<u>96,526</u>	<u>820,048</u>
Operating Income (Loss)	<u>254,209</u>	<u>359,523</u>	<u>613,732</u>
<b>Nonoperating Revenue (Expenses)</b>			
Interest Income	21,150	3,497	24,647
Miscellaneous Income	30,060	14,166	44,226
Interest Expense	(121,996)	(4,916)	(126,912)
Disposition of Abandoned Assets	(23,621)	-	(23,621)
Transfers-Internal Activity	19,690	(19,690)	-
Total Other Revenue (Expense)	<u>(74,717)</u>	<u>(6,943)</u>	<u>(81,660)</u>
Change in Net Position	179,492	352,580	532,072
Total Net Position, October 1, 2019	2,626,684	1,804,050	4,430,734
Prior Year Adjustments	-	-	-
Total Net Position, September 30, 2020	<u>\$ 2,806,176</u>	<u>\$ 2,156,630</u>	<u>\$ 4,962,806</u>

See accompanying notes to financial statements

**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**PROPRIETARY FUND**  
**September 30, 2020**

	Water & Sewer Accounts	Roads & Bridges Accounts	Total Enterprise Funds
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 977,644	\$ 484,883	\$ 1,462,527
Cash Paid to Suppliers	(392,315)	(480,827)	(873,142)
Net Cash Provided by Operating Activities	<u>585,329</u>	<u>4,056</u>	<u>589,385</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Operating Transfer In/(Out)	19,690	(19,690)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>19,690</u>	<u>(19,690)</u>	<u>-</u>
<b>Cash Flows from Capital Financing Activities:</b>			
Principal paid on Revenue Notes & Notes Payable	(315,623)	(340,369)	(655,992)
Interest Paid on Revenue Notes & Notes Payable	(121,996)	(4,916)	(126,912)
Acquisition & Construction of Capital Assets	(275,132)	438,424	163,292
Net Cash Provided (Used) by Capital Financing Activities	<u>(712,751)</u>	<u>93,139</u>	<u>(619,612)</u>
<b>Cash Flows from Investing Activities</b>			
Other	30,060	14,166	44,226
Receipt of Interest	21,150	3,497	24,647
Net Cash used in Investing Activities	<u>51,210</u>	<u>17,663</u>	<u>68,873</u>
Net Change in Cash	(56,522)	95,168	38,646
Cash and Cash Equivalents, September 30, 2019	<u>1,782,098</u>	<u>776,041</u>	<u>2,558,139</u>
Cash and Cash Equivalents, September 30, 2020	<u>\$ 1,725,576</u>	<u>\$ 871,209</u>	<u>\$ 2,596,785</u>
<b>Reconciliation of Operating Income to Net Cash Flows</b>			
<b>From Operating Activities:</b>			
Operating Income (Loss)	254,209	359,523	613,732
Add Depreciation Expense	340,753	57,092	397,845
(Increase) Decrease in Current Assets Accounts Receivable, Net	4,854	28,834	33,688
Increase (Decrease) in Current Liabilities Accounts Payable	(4,596)	(441,393)	(445,989)
(Increase) Decrease in Inventory	(5,843)	-	(5,843)
(Increase)Decrease in Other Current Assets	163	-	163
(Increase)Decrease in Net Pension Asset	(5,104)	-	(5,104)
(Increase)Decrease in Deferred Outflows	2,247	-	2,247
Increase(Decrease) in Deferred Inflows	(1,354)	-	(1,354)
Net Cash Flows from Operating Activities	<u>\$ 585,329</u>	<u>\$ 4,056</u>	<u>\$ 589,385</u>

See accompanying notes to financial statements.

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – Description of the District and Reporting Entity:**

The Emerald Bay Municipal Utility District (the District) was created by an act of the Texas Legislature on May 24, 1983, under the Texas Water Code Chapter 54. The District's board first met on October 10, 1983. The District was originally chartered to provide waste water treatment to the residents of the Emerald Bay residential subdivision. In August 2006, the District also began providing water services to the District's residential and commercial customers. During the fiscal year ended September 30, 2010, the District assumed the responsibility of maintaining the roads and bridges for the Emerald Bay subdivision.

Reporting Entity

The Board of Directors, a five-member group, has governance over all the activities related to the administration of the District. The members of the Board are elected and have the authority to make decisions, appoint managers, significantly influence operations, and have the primary accountability for fiscal matters. The District, for financial purposes, included all the funds relevant to the operation of the Emerald Bay Municipal Utility District. The financial statements presented here do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the District.

The financial statements of the District do not include any separately administered organizations. No such organizations are controlled by or are dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

The District is not included in any other governmental reporting entity as defined by the Governmental Accounting Standards regarding "The Financial Reporting Entity."

**NOTE 2 – Summary of Significant Accounting Policies:**

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The District's reporting applies all relevant GASB pronouncements. The most significant of the District's accounting policies are described below.

**1. Basis of Presentation**

The basic financial statements consist of fund financial statements including a statement of net position, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. Because the District is a special-purpose entity engaged in only business-type activities, government-wide financial statements are not presented.

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – Summary of Significant Accounting Policies: (continued)**

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds to aid financial management and to demonstrate legal compliance. The focus of enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds, if any, are aggregated and presented in a single column. Presently, the District has combined water/sewer accounts and a separate roads and bridges account.

**2. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District's only category of funds is "Proprietary" as defined below:

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The District's proprietary fund is classified as an enterprise fund. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Water & Sewer Account

This account accounts for revenues generated from the charges for water services and wastewater treatment services provided to the District's customers and tax revenues collected to fund debt service related to the wastewater treatment operations.

Roads & Bridges Account

This account accounts for revenue generated from fees charged to Emerald Bay residents for maintenance of roads and bridges in the subdivision.

**3. Measurement Focus**

Fund Financial Statements

Proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of fund assets. The statement of revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (expenses) in total net position. The statement of cash flows provides information as to how the District finances and meets the cash flow needs of its proprietary activities.

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – Summary of Significant Accounting Policies: (continued)**

**4. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Proprietary fund financial statements are prepared using the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, where each party gives and receives essentially equal value, is reported on the accrual basis when the exchange takes place and are available. Available means that the resources will be collected within the current year or soon enough thereafter to be used to pay liabilities of the current year. The District assumes availability within 30 days of year end.

Non-exchange transactions, where value is received without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied; the District has no revenue from these sources.

Expenses/Expenditures

Expenses are recognized at the time they are incurred.

**5. Budget Process**

Formal budgetary accounting is employed as a management control for the District. The same basis of accounting is used to reflect revenues and expenses on a generally accepted accounting principles basis. The Board of Directors adopts a budget for the District and amends the budget as needed. Amendments are presented at Board meetings and are reflected in the official minutes of the Board. The budget is not encumbered.

**6. Cash and Cash Equivalents**

The District maintains separate cash accounts for each of its separate components. Cash equivalents are highly liquid assets that have maturities of less than twelve months when purchased.



**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – Summary of Significant Accounting Policies: (continued)**

**7. Receivables**

Property taxes levied during the fiscal year and prior years but uncollected as of September 30, 2020, are recorded as property taxes receivable. Because of historical collections, no allowance for doubtful accounts has been recorded. The District did not levy property taxes during the fiscal year ended September 30, 2020.

Service charges and fees for road maintenance billed but uncollected as of September 30, 2020 are recorded as receivables. No allowance for doubtful accounts has been recorded because of successful collection efforts.

**8. Capital Assets**

Capital assets are reported in the fund statement of net assets.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. Donated fixed assets are reported at their fair market value as of the date received. The District maintains an unofficial capitalization threshold of five thousand dollars (\$5,000).

All capital assets except for land and construction-in-progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives are estimated based on historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives;

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	25 years
Sewer Facilities	25 years
Water Facilities	40 years
Electronic Equipment	5 years
Fences & Equipment	10 years
Roads and Streets	25 years
Leasehold Improvements-Bridges	25 years

**9. Inventory**

Repair items purchased in anticipation of need are recorded as Inventory. These items are expensed when put into use.

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – Summary of Significant Accounting Policies: (continued)**

**10. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the fund financial statements.

**11. Net Position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets is the original cost of the assets net of accumulated depreciation further reduced by the outstanding balances of any debt used for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when limitations are imposed on its use by constitutional provisions, enabling legislature, contractual agreement, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**12. Operating Revenues and Expenses**

Operating revenues are those generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for water and wastewater treatment services and fees for road and bridge repairs. Operating expenses are the necessary costs to provide those services.

**13. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the estimated lives of capital assets, and disclosure of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenue and expenses for the reporting period. Actual results could differ from those estimates.

**14. Pensions**

For purposes of measuring net pension liability/ (asset), deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Emerald Bay Municipal Utility District Pension Plan (EBMUDPP), and additions to/deductions from EBMUDPP's fiduciary net position have been determined on the same basis as they are reported by EBMUDPP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – Cash and Investments**

The District's depository banks are to approve pledged securities for safekeeping and trust with the District's agent bank in amounts sufficient to protect District funds on a day-to-day basis. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

The District's cash deposits in its depository bank at September 30, 2020, and throughout the fiscal year then ended were covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The Public Funds Investment Act (PFIA) contains specific provisions in the area of investment practices, management reports, and establishment of appropriate policies. It requires the District to adopt, implement and publicize an investment policy that must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) Bid solicitation preferences for certificates of deposit.

State statutes and the District's investment policy authorize investments in (1) obligations of the United States or its agencies and instrumentalities; (2) obligations of the State of Texas or its agencies; (3) guaranteed or secured certificates of deposits issued by state or national banks domiciled in Texas; (4) fully collateralized repurchase agreements; (5) bankers acceptances; (6) money market mutual funds and no-load mutual funds; and (8) public investment pools.

Temporary investments are reported at cost, which approximates market, and are secured when necessary by the FDIC. All the District's investments are of this type.

The PFIA requires the District to have independent auditors perform test procedures related to practices as provided by the act.

**NOTE 4 – Property Taxes:**

Property taxes are levied by October 1 on the assessed value listed the prior January 1 for all real and business personal property located in the District. Taxes are due on the receipt of the tax bill and are delinquent if not paid before February 1 of the year following the levy. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

There were no taxes levied for the fiscal year ended September 30, 2020.

Property within the District is assessed by the Smith County Appraisal District and taxes due the District are collected by the Smith County Tax Collector and remitted to the District.

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – Capital Assets**

Capital asset activity for the fiscal year ended September 30, 2020, was as follows:

	Balance 9/30/19	Additions	Deletions	Balance 9/30/20
Capital Assets not Being Depreciated:				
Land & Easements	\$ 172,092	\$ -	\$ -	\$ 172,092
Construction-in-Progress	79,180	154,714	167,191	66,703
Total Capital Asset not Being Depreciated	<u>251,272</u>	<u>154,714</u>	<u>167,191</u>	<u>238,795</u>
Capital Assets Being Depreciated:				
Water System	4,963,491	61,365	64,407	4,960,449
Sewer System	4,608,659	118,723	72,333	4,655,049
Other Equipment	72,466	107,522	-	179,988
Leasehold Improvement-Streets	1,576,523	2,970	441,394	1,138,099
Leasehold Improvement-Bridges	289,204	-	-	289,204
Total Capital Assets Being Depreciated	<u>11,510,343</u>	<u>290,580</u>	<u>578,134</u>	<u>11,222,789</u>
Less Accumulated Depreciation	<u>(5,240,349)</u>	<u>(397,845)</u>	<u>(113,118)</u>	<u>(5,525,076)</u>
Net Capital Assets	<u>\$ 6,521,266</u>	<u>\$ 47,449</u>	<u>\$ 632,207</u>	<u>\$ 5,936,508</u>

**NOTE 6 – Long Term Debt**

During the fiscal year ended September 30, 2005, the District borrowed \$766,791 of a \$1,750,000 loan authorized by the Board for a water system project. The District borrowed an additional \$908,209 the next year for a total of \$1,675,000 instead of the planned \$1,750,000. System revenues are collateral for this obligation.

In June 2008, the District amended the note agreement with Capital One Bank and refinanced the 2005 note. The changes eliminated a balloon payment due in 2016 and the note was extended until June 2026. The monthly payment remained the same, but the interest rate was reduced to 4.18%. Bond covenants requiring an interest and sinking account and a project fund account were also eliminated.

In December 2015, an arrangement was reached, with TCEQ and the State Attorney General to borrow \$1,080,000, designated the Series 2015 note, from Southside Bank to retire the note with Capital One Bank. The interest rate of the new note is 2.55% compared to the 4.18% rate on the Capital One note. Payments on the Series 2015 note are \$9,698 per month through June 2026.

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – Long Term Debt: (continued)**

In April 2011, the District signed two notes with Southside Bank One, designated Note A, was for \$300,000 to be used for a new water well. The other, Note B, was for \$499,950 to be used to upgrade the District's drainage system on the golf course. Each note has an interest rate of 4.3% with monthly payments to repay the notes by May 2021. System revenues are collateral for these notes.

In June of the fiscal year ended September 30, 2015, excess funds from the 2014 Revenue Note were used to refund the \$300,000 note, designated Series 2010A. The principal payoff was \$195,875.03, made in June 2015.

During the fiscal year ended September 30, 2015, arrangements were made with Southside Bank to alter the terms of the \$499,950 loan, Series 2010B. The interest rate was reduced to 2.3% per year instead of 4.3%, resulting in a reduction of the monthly payment from \$5,151.73 to \$4,500.18. The termination date of the loan remains at May 15, 2021.

In March 2013, the District entered into an interim financing agreement with Southside Bank to borrow \$250,000 to be used to fund engineering design and preliminary expenditures for an upgrade of the water distribution system. This note was repaid in August 2014 using funds from the 2014 revenue note.

In the fiscal year ended September 30, 2014, the TCEQ approved a project which is essentially a reconstruction of the water distribution system. A revenue note, Series 2014, was arranged with Southside Bank to finance the project. The note is for \$3,900,000 at 3.5% interest for twenty years, from October 1, 2014 to 2034.

On October 10, 2017, the District awarded a contract for repair and improvement of the streets in the Emerald Bay community. The contract amount is \$1,760,607.75. In addition to the funds the District has been collecting for street repair and renovation, a revenue note (Series 2017) was arranged with Southside Bank, as follows:

Face amount: \$1,000,000 Interest Rate: 2.30% Term: 3 years, payments from 11/10/17 to 10/10/2020 Monthly payment: \$ 28,773.73

Revenues are collected from the residents of Emerald Bay to fund the payments of all notes.

All loan covenants compliances were met.

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – Long Term Debt: (continued)**

Debt outstanding at September 30, 2020, was as follows:

	Interest Rate	Maturity Date	Original Amount	Amount Outstanding
Southside Bank, Series 2010B	2.30%	2021	499,950	34,534
Southside Bank, Series 2014	3.50%	2034	3,900,000	3,008,527
Southside Bank, Series 2015	2.55%	2026	1,080,000	611,093
Southside Bank, Series 2017	2.30%	2020	1,000,000	28,719
				<u>\$ 3,682,873</u>

The following is a summary of the long-term debt transactions for the year ended September 30, 2020:

	Balance 9/30/19	Additions	Reductions	Balance 9/30/20
Southside Bank, Series 2010B	87,087	-	52,553	34,534
Southside Bank, Series 2014	3,172,242	-	163,715	3,008,527
Southside Bank, Series 2015	710,449	-	99,356	611,093
Southside Bank, Series 2017	369,088	-	340,369	28,719
	<u>\$ 4,338,866</u>	<u>\$ -</u>	<u>\$ 655,993</u>	<u>\$ 3,682,873</u>

Interest expense for the District's long-term debt was \$148,797 and \$131,087 for the years ended September 30, 2019 and 2020, respectively.

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – Long Term Debt: (continued)**

The following is a summary of the maturities of long-term debt at September 30, 2020:

Year End September 30,	Southside Bank 2010B		Southside Bank Series 2014		Southside Bank Series 2015	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	34,534	1,466	169,538	102,595	101,929	14,458
2022	-	-	175,567	96,567	104,559	11,828
2023	-	-	181,812	90,321	107,256	9,131
2024	-	-	188,279	83,855	110,024	6,363
2025-2029	-	-	1,046,732	313,935	187,325	4,252
2030-2035	-	-	1,246,599	114,068	-	-
Total	\$34,534	\$1,466	\$3,008,527	\$801,341	\$611,093	\$46,032

Year End September 30,	Southside Bank Series 2017		Grand Totals		Total Requirements
	Principal	Interest	Principal	Interest	
2021	28,719	55	334,720	118,574	453,294
2022	-	-	280,126	108,395	388,521
2023	-	-	289,068	99,452	388,520
2024	-	-	298,303	90,218	388,521
2025-2029	-	-	1,234,057	318,187	1,552,244
2030-2035	-	-	1,246,599	114,068	1,360,667
Total	\$28,719	\$55	\$3,682,873	\$848,894	\$4,531,767

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – 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. The District carries commercial insurance for all these types of risks of loss, including commercial building and property, vehicle collision, liability, comprehensive and public official's liability.

**NOTE 8 – Water and Sewer Service Rates:**

The District has approximately 625 customers who pay a base sewer rate each month of \$39.50 for residential customers and \$50.25 for commercial customers. There are approximately 590 customers who pay a base water rate of \$62.00 per month plus additional amount for water usage over the minimum of 2,000 gallons per month.

**NOTE 9 – Retirement Plan:**

On October 1, 2012, the District began participation in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system for the benefit of its permanent full-time employees. TCDRS was created in 1967 as a not-for-profit organization by the Texas Legislature. TCDRS receives no funding from the State of Texas, nor does it charge fees to member employers or their employees. The intent of TCDRS is to provide retirement funds for member's employees through sound investment policies monitored to insure adequate return and safety of the investments.

TCDRS is a qualified retirement plan under Section 401(a) of the Internal Revenue Code. The TCDRS Act (Subtitle F, Title 8, Texas Government Code) is the basis for administration of the retirement system. TCDRS issues a publicly available comprehensive annual financial report (CAFR). The CAFR is available upon written request from the board of trustees at P. O. Box 2034, Austin, Texas 78768-2034 or can be viewed at [www.tcdrs.org](http://www.tcdrs.org).

The District's pension plan, Emerald Bay Municipal Utility District Pensions Plan (EBMUDPP), provides pension and death benefits for all permanent full-time employees of the District. Employees may retire at age 60 with 10 years of service, if age plus years of service total 80, or at any age with 30 years of service.



**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – Retirement Plan: (continued)**

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return
US Equities	14.50%	5.20%
Private Equity	20.00%	8.20%
Global Equities	2.50%	5.50%
International Equities - Developed Mkts	7.00%	5.20%
International Equities - Emerging Mkts	7.00%	5.70%
Investment-Grade Bonds	3.00%	-0.20%
Strategic Credit	12.00%	3.14%
Direct Lending	11.00%	7.16%
Distressed Debt	4.00%	6.90%
REIT Equities	3.00%	4.50%
Master Limited Partnerships (MLPs)	2.00%	8.40%
Private Real Estate Partnerships	6.00%	5.50%
Hedge Funds	8.00%	2.30%
Total	100.0%	

Discount rate

The discount rate used to measure the total pension liability was 8.10 percent. The projection of cash flows to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – Retirement Plan: (continued)**

Changes in the Net Pension Liability/ (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2018	\$ 36,717	\$ 52,195	\$ (15,478)
Changes for the year:			
Service cost	7,332	-	7,332
Interest on total pension liability	3,568	-	3,568
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(160)	-	(160)
Effect of assumptions changes or inputs	-	-	-
Refund of Contributions	-	-	-
Contributions - employer	-	2,376	(2,376)
Contributions - employee	-	4,704	(4,704)
Net investment income	-	8,564	(8,564)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	(52)	52
Other changes	-	252	(252)
Net changes	\$ 10,740	\$ 15,844	\$ (5,104)
<b>Balance at 12/31/2019</b>	<b>\$ 47,457</b>	<b>\$ 68,039</b>	<b>\$ (20,582)</b>

Sensitivity of the net pension liability/ (asset) to changes in the discount rate

The following presents the net pension liability/ (asset) of the District, calculated using the discount rate of 8.1%, as well as what the District's net pension liability/ (asset) would be if it was calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease 7.10%	Discount Rate 8.10%	1% Increase 9.10%
Total Pension Liability	\$53,739	\$47,457	\$42,199
Fiduciary Net Position	68,039	68,039	68,039
Net Pension Liability/ (Asset)	(\$14,300)	(\$20,582)	(\$25,840)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued EBMUDPP financial report.

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – Retirement Plan: (continued)**

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2019, the District recognized pension income of \$752, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,534	\$ 9,248
Changes in actuarial assumptions	79	-
Difference between projected and actual investment earnings	-	1,167
Contributions subsequent to the measurement date	<u>1,257</u>	<u>-</u>
Total	<u>\$ 2,870</u>	<u>\$ 10,415</u>

\$1,257 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/ (asset) for the year ending September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2020	\$ (2,615)
2021	(2,666)
2022	(2,294)
2023	(1,758)
2024	255
Thereafter	<u>276</u>
Total	<u>\$ (8,802)</u>

**NOTE 10 – Other postemployment benefits:**

The District participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB). Retired employees are insured for \$5,000.

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 – Other postemployment benefits: (continued)**

The GTLF is a separate trust administered by the TCDRS Board of Trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at [www.tcdrs.org](http://www.tcdrs.org). TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782.

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The District's contributions to the GTLF for the years ended 2020, 2019, 2018, and 2017, were \$114, \$125, \$200, and \$138, respectively, which equaled the contractually required contributions each year.

**NOTE 11 – Subsequent Events:**

In preparing the financial statements, the District has evaluated events and transactions including the expected effects of the COVID 19 pandemic for potential recognition or disclosure through January 4, 2021, the date that the financial statements were available to be issued. There are no subsequent events including the effects of the pandemic that management believes require disclosure.

## REQUIRED SUPPLEMENTARY INFORMATION

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
BUDGET COMPARISON SCHEDULE  
REQUIRED SUPPLEMENTARY INFORMATION  
PROPRIETARY FUND  
September 30, 2020**

	Original Budget	Amendments	Amended Budget	Actual	Variance
<b>Revenues</b>					
Charges for Services	\$ 1,289,040	\$ 15,900	\$ 1,304,940	\$ 1,301,982	\$ (2,958)
Initiation Fees	68,000	8,000	76,000	96,000	20,000
Other Revenues	40,500	(6,050)	34,450	35,798	1,348
Total Revenues	<u>1,397,540</u>	<u>17,850</u>	<u>1,415,390</u>	<u>1,433,780</u>	<u>18,390</u>
<b>Expenses</b>					
Accounting Audit & Legal Fees	24,200	(4,800)	19,400	10,852	(8,548)
Engineering & Consulting	10,460	(4,650)	5,810	5,145	(665)
Insurance	18,840	800	19,640	19,321	(319)
Licenses & Assessments	3,094	-	3,094	2,712	(382)
Miscellaneous	19,614	19,441	39,055	24,648	(14,407)
Office & Collections	38,280	12,000	50,280	16,278	(34,002)
Payroll	116,640	5,360	122,000	160,428	38,428
Plant Operating	17,460	2,768	20,228	18,172	(2,056)
Repairs & Maintenance	43,210	10,666	53,876	52,662	(1,214)
Roads Administration	-	-	-	13,205	-
Utilities	97,500	(4,400)	93,100	98,780	5,680
Depreciation	346,668	-	346,668	397,845	51,177
Total Expenses	<u>735,966</u>	<u>37,185</u>	<u>773,151</u>	<u>820,048</u>	<u>46,897</u>
Revenues in Excess of or (Deficient) of Expenses	661,574	(19,335)	642,239	613,732	(28,507)
<b>Other Revenues (Expenses)</b>					
Interest Income	14,425	7,800	22,225	24,647	2,422
Miscellaneous Income	2,400	23,900	26,300	44,226	17,926
Interest Expense	(128,820)	(3,040)	(131,860)	(126,912)	4,948
Miscellaneous Expense	-	-	-	(23,621)	(23,621)
Net Other Revenue (Expense)	<u>(111,995)</u>	<u>28,660</u>	<u>(83,335)</u>	<u>(81,660)</u>	<u>1,675</u>
Net Change in Fund Balances	549,579	9,325	558,904	532,072	(26,832)
Prior Period Adjustments	-	-	-	-	-
Beginning Fund Balances	<u>4,430,734</u>	<u>-</u>	<u>4,430,734</u>	<u>4,430,734</u>	<u>-</u>
Ending Fund Balances	<u>\$ 4,980,313</u>	<u>\$ 9,325</u>	<u>\$ 4,989,638</u>	<u>\$ 4,962,806</u>	<u>\$ (26,832)</u>

See accompanying notes to the financial statements

**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last 10 Years (will ultimately be displayed)**

	Year ended December 31					
	2014	2015	2016	2017	2018	2019
<b>Total Pension Liability</b>						
Service Cost	\$ 7,271	\$ 8,883	\$ 10,959	\$ 7,521	\$ 12,608	\$ 7,332
Interest on total pension liability	854	1,517	1,559	1,994	3,278	3,568
Effect of plan changes	-	(508)	-	-	-	-
Effect of assumption changes or inputs	-	166	-	26	-	-
Effect of economic/demographic (gains) or losses	79	(6,867)	(4,335)	2,227	(7,030)	(160)
Benefit payments/refunds of contributions	(1,273)	-	(7,856)	(1,962)	-	-
<b>Net Change in Total Pension Liability</b>	<b>6,931</b>	<b>3,191</b>	<b>327</b>	<b>9,806</b>	<b>8,856</b>	<b>10,740</b>
<b>Total Pension Liability - Beginning</b>	<b>7,606</b>	<b>14,537</b>	<b>17,728</b>	<b>18,055</b>	<b>27,861</b>	<b>36,717</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 14,537</b>	<b>\$ 17,728</b>	<b>\$ 18,055</b>	<b>\$ 27,861</b>	<b>\$ 36,717</b>	<b>\$ 47,457</b>
<b>Plan Fiduciary Net Position</b>						
Employer contributions	\$ 3,901	\$ 4,402	\$ 4,089	\$ 3,082	\$ 2,507	\$ 2,376
Member contributions	5,219	5,828	5,820	6,226	6,512	4,704
Investment income net of investment expenses	521	(166)	2,014	4,719	(713)	8,564
Benefit payments/refunds of contributions	(1,272)	-	(7,856)	(1,962)	-	-
Administrative expenses	(10)	(16)	(22)	(29)	(41)	(52)
Other	(1)	(2)	1,014	99	273	252
<b>Net Change in Plan Fiduciary Net Position</b>	<b>8,358</b>	<b>10,046</b>	<b>5,059</b>	<b>12,135</b>	<b>8,538</b>	<b>15,844</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>8,059</b>	<b>16,417</b>	<b>26,463</b>	<b>31,522</b>	<b>43,657</b>	<b>52,195</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 16,417</b>	<b>\$ 26,463</b>	<b>\$ 31,522</b>	<b>\$ 43,657</b>	<b>\$ 52,195</b>	<b>\$ 68,039</b>
<b>Net position liability/(asset), ending = (a)-(b)</b>	<b>\$ (1,880)</b>	<b>\$ (8,735)</b>	<b>\$ (13,467)</b>	<b>\$ (15,796)</b>	<b>\$ (15,478)</b>	<b>\$ (20,582)</b>
<b>Plan Fiduciary net position as a Percentage of Total Pension Liability</b>	112.93%	149.27%	174.59%	156.70%	142.15%	143.37%
<b>Covered Employee Payroll</b>	<b>\$ 130,486</b>	<b>\$ 145,710</b>	<b>\$ 145,505</b>	<b>\$ 155,661</b>	<b>\$ 162,794</b>	<b>\$ 117,612</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	-1.44%	-5.99%	-9.26%	-10.15%	-9.51%	-17.50%

See accompanying notes to financial statements.

EMERALD BAY MUNICIPAL UTILITY DISTRICT

Schedule of Contributions

Last 10 Fiscal Years (will ultimately be displayed)

	2015	2016	2017	2018	2019	2020
Actuarially Determined Contribution	\$ 3,769	\$ 4,192	\$ 3,077	\$ 3,128	\$ 2,265	\$ 1,977
Contributions in relation to the actuarially determined contribution	3,769	4,192	3,077	3,128	2,265	1,977
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 147,220	\$ 166,706	\$ 163,289	\$ 189,852	\$ 127,763	\$ 134,588
Contributions as a percentage of Covered Employee Payroll	2.56%	2.51%	1.88%	1.65%	1.77%	1.47%

See accompanying notes to financial statements.



**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO SCHEDULE OF CONTRIBUTIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Valuation Date:**

Notes

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	0 years (based on contribution rate calculated in 12/31/19 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	4.9% including inflation
Investment Rate of Return	8.00%
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New Inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule.

# TEXAS SUPPLEMENTARY SCHEDULES

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF SERVICES AND RATES  
September 30, 2020**

1. Services provided by the District during the fiscal year:  
Retail Water and Retail Wastewater

2. Retail Service Rates

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons Over Minimum Use</u>
Water	\$ 62.00	2,000 Gallons	N	\$ 2.50
Wastewater				
Residential	\$ 39.50	N/A	Y	N/A
Commercial	\$ 50.25	N/A	Y	N/A

District employs winter averaging for wastewater usage: NO

Total Charges per 10,000 gallons usage:	Water:	82.00
	Wastewater:	
	Residential	39.50
	Commercial	50.25

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC's</u>
Unmetered	-	-	1.0	-
5/8-3/4"	578	576	1.0	576.0
1"	19	19	2.5	47.5
1.5"	2	2	5.0	10.0
2"	-	-	8.0	0.0
Total Water	597	595		633.5
Total Wastewater	633	632	1.0	632.0

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

Gallons pumped into the system	69,716,954
Gallons billed to customers	63,710,438
Water Accountability Ratio	0.91384

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF PROPRIETARY FUND EXPENSES  
September 30, 2020**

Personnel Expenditures (Including Benefits)	\$ 169,828
Professional Fees:	
Auditing	9,872
Legal	980
Engineering	5,145
Purchased Services for Resale	-
Contracted Services:	
Testing	4,851
Utilities	98,780
Repairs and Maintenance	52,662
Administrative Expenditures	
Director's Fees	-
Office	16,278
Insurance	9,921
Licenses	2,712
Interest	126,912
Other Administrative Expenses	37,853
Other Expenses	
Plant Operating	1,843
Chlorine Supplies	5,478
Sludge Handling	6,000
	<hr/>
Total Expenditures	<u><u>\$ 549,115</u></u>
Number of Employees	
Full Time	3
Part Time	1

**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**TEMPORARY INVESTMENTS**  
**September 30, 2020**

<u>Enterprise Fund</u>	<u>Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Interest Receivable at End of Year</u>
Certificate of Deposit	550005730	1.87%	11/1/2020	\$ 203,777	\$ -
Certificate of Deposit	550005757	2.00%	2/1/2021	204,041	-
Certificate of Deposit	550005765	1.87%	11/1/2020	203,777	-
Certificate of Deposit	550005773	2.00%	2/1/2021	204,041	-
Certificate of Deposit	550005781	2.00%	2/1/2021	102,021	-
Total				<u>\$ 917,657</u>	<u>\$ -</u>

**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**SCHEDULE OF TAXES LEVIED AND RECEIVABLE**  
**September 30, 2020**

Taxes Receivable, Beginning of Year	\$ 617
2019 Original Tax Levy	-
Adjustments	(33)
Total to Account for	<u>584</u>

Tax Collections:	
Current Year	-
Prior Years	-
Total Collections	<u>\$ -</u>
Taxes Receivable, End of Year	<u><u>\$ 584</u></u>

Taxes Receivable, By Years	
2006	\$ 173
2007	180
2008	180
2009	51
Taxes Receivable, End of Year	<u><u>\$ 584</u></u>

Fiscal Year	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Property Valuations	\$157,002,752	\$154,302,251	\$153,995,385	\$148,708,748
Tax Rates per \$100 Valuation	\$ -	\$ -	\$ -	\$ -
Original Tax Levy	\$ -	\$ -	\$ -	\$ -
Percent of Taxes Collected	N/A	N/A	N/A	N/A

Note - No taxes were levied for the years 2016-2020. For accounting purposes, in 2018, the \$617 tax receivables were expensed.

**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS**  
**September 30, 2020**

Fiscal Years Ending 9/30	2010 Revenue Note B			2015 Revenue Note			2017 Revenue Note		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2021	34,534	1,466	36,000	101,929	14,458	116,387	28,719	55	28,774
2022	-	-	-	104,559	11,828	116,387	-	-	-
2023	-	-	-	107,256	9,131	116,387	-	-	-
2024	-	-	-	110,024	6,363	116,387	-	-	-
2025	-	-	-	112,862	3,525	116,387	-	-	-
2026	-	-	-	74,463	727	75,190	-	-	-
	<u>\$34,534</u>	<u>\$1,466</u>	<u>\$36,000</u>	<u>\$611,093</u>	<u>\$46,032</u>	<u>\$657,125</u>	<u>\$28,719</u>	<u>\$55</u>	<u>\$28,774</u>

2014 Revenue Note			Total for All Revenue Notes		
Principal	Interest	Total	Principal	Interest	Total
2021	169,538	102,595	334,720	118,574	453,294
2022	175,567	96,567	280,126	108,395	388,521
2023	181,812	90,321	289,068	99,452	388,520
2024	188,279	83,855	298,303	90,218	388,521
2025	194,975	77,158	307,837	80,683	388,520
2026	201,909	70,225	276,372	70,952	347,324
2027	209,091	63,042	209,091	63,042	272,133
2028	216,528	55,606	216,528	55,606	272,134
2029	224,229	47,904	224,229	47,904	272,133
2030	232,204	39,930	232,204	39,930	272,134
2031	240,463	31,670	240,463	31,670	272,133
2032	249,015	23,119	249,015	23,119	272,134
2033	257,872	14,261	257,872	14,261	272,133
2034	267,045	5,088	267,045	5,088	272,133
	<u>\$3,008,527</u>	<u>\$801,341</u>	<u>\$3,809,868</u>	<u>\$848,894</u>	<u>\$4,531,767</u>

**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**ANALYSIS OF CHANGES IN REVENUE NOTES**  
**September 30, 2020**

	Southside Bank Series 2010B	Southside Bank Series 2014	Southside Bank Series 2015	Southside Bank Series 2015	Totals
Interest Rate	2.3%	3.5%	2.55%	2.30%	
Dates Interest Payable	Monthly	Monthly	Monthly	Monthly	
Maturity Dates	May 2021	Sept 2034	June 2026	October 2020	
Balance Outstanding at Beginning of Year	\$ 87,087	\$3,172,241	\$ 710,449	\$ 369,088	\$ 4,338,865
Revenue Notes Incurred During Current Year	-	-	-	-	\$ -
Retirements During Current Year	52,553	163,715	99,355	340,369	\$ 655,992
Revenue Notes Outstanding at End of Year	<u>\$ 34,534</u>	<u>\$3,008,526</u>	<u>\$611,094</u>	<u>\$28,719</u>	<u>\$ 3,682,873</u>
Interest Paid During Year	\$ 1,450	\$ 108,419	\$17,022	\$4,916	\$ 131,807

Bond Authority	Tax Bonds	Revenue Notes	Refund Bonds	Refund Bonds
Amount Authorized by Board	\$ -	\$6,479,950	\$ -	\$ -
Amount Issued	-	6,479,950	-	-
Amount Remaining to be Issued	\$ -	\$ -	\$ -	\$ -

Debt Service Fund Cash/Temporary Investments as of September 30, 2020 \$ -

Average Annual Debt Service Requirements for Remaining Term of all Revenue Notes \$ 323,698



**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES & EXPENSES**  
**PROPRIETARY FUND - UNAUDITED**  
**September 30, 2020**

Fiscal Year Ended September 30,	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
<b>Operating Revenues</b>						Percentages				
Water/Sewer Charges	\$ 950,529	\$ 918,640	\$ 954,012	\$ 931,702	\$ 938,985	66.30	66.04	71.71	85.96	83.73
Road/Bridge Charges	351,453	352,614	248,822	47,084	47,880	24.51	25.35	18.70	4.38	4.42
Connection and Other Fees	131,798	119,874	127,501	84,046	105,468	9.19	8.62	9.58	9.66	11.85
Total Operating Revenues	1,433,780	1,391,128	1,330,335	1,062,832	1,092,333	100.00	100.00	100.00	100.00	100.00
<b>Operating Expenses</b>										
Utilities	98,780	110,381	106,768	119,553	126,838	6.89	7.93	8.03	11.61	10.63
Plant Operations	18,172	19,217	23,004	24,514	34,178	1.27	1.38	1.73	3.13	3.44
Payroll	160,428	160,092	210,722	177,171	194,010	11.19	11.51	15.84	17.76	15.02
Insurance	19,321	18,745	20,019	17,510	9,102	1.35	1.35	1.50	0.83	0.99
Licenses and Assessments	2,712	3,111	3,123	3,733	10,050	0.19	0.22	0.23	0.92	0.17
Repair and Maintenance	52,662	55,072	38,165	55,320	56,546	3.67	3.96	2.87	5.18	8.73
Roads Administration	13,205	-	-	-	-	0.92	0.00	0.00	0.00	0.00
Miscellaneous	29,793	24,853	17,744	23,281	15,727	2.08	1.79	1.33	1.44	1.74
Office	16,278	10,210	16,415	28,840	24,634	1.14	0.73	1.23	2.26	1.39
Accounting, Audit, and Legal	10,852	32,820	55,521	34,376	54,539	0.76	2.36	4.17	4.99	1.03
Depreciation	397,845	346,668	329,309	329,180	279,449	27.75	24.92	24.75	25.58	24.03
Total Operating Expenses	820,048	781,169	820,790	813,478	805,073	57.21	56.15	61.68	73.70	67.17
Operating Revenues Less Expenses	613,732	609,959	509,545	249,354	287,260	42.79	43.85	38.32	26.30	32.83
<b>Other Revenue/Expenses</b>										
Interest Income	24,647	17,715	12,602	7,032	8,646	1.72	1.27	0.95	0.79	1.06
Miscellaneous Revenue	44,226	1,998	988	6,080	97,797	3.08	0.14	0.07	8.95	0.00
Interest Expense	(126,912)	(132,855)	(137,576)	(155,538)	(36,852)	(8.85)	(9.55)	(10.34)	(3.37)	(8.43)
Other Expense	(23,621)	-	(23,360)	(1,590)	(11,615)	(1.65)	0.00	(1.76)	(1.06)	(0.08)
Assessments	-	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Transfer from Emerald Bay Club/HOA	-	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Total Other Revenues/Expenses	(81,660)	(113,142)	(147,346)	(144,016)	57,976	(5.70)	(8.14)	(11.08)	5.31	(7.45)
Net Revenues Less Expenses	\$ 532,072	\$ 496,817	\$ 362,199	\$ 105,338	\$ 345,236	37.09	35.71	27.24	31.61	25.38

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
September 30, 2020**

District Mailing Address: 155 La Salle Drive, Bullard, TX 75757

District Business Telephone Number: 903-825-6960

<u>Name and Address</u>	<u>Term</u>	<u>Expenses</u>	<u>Title</u>	<u>Resident</u>
<b>Board Members:</b>				
William F. Harris 142 Marina Drive Bullard, Texas 75757	May 2024	\$ 9,642	President	Yes
Becky Kirkpatrick 136 Williamsburg Lane Bullard, Texas 75757	May 2024	\$ -	Secretary	Yes
Inge Grant 144 Marina Drive Bullard, Texas 75757	May 2022	\$ -	VP	Yes
Dwight Cole 123 Marina Drive Bullard, Texas 75757	May 2022	\$ -	VP	Yes
Barry Botti 137 Fairway Drive Bullard, Texas 75757	May 2022	\$ 58	Treasurer	Yes
<b>Key Administrative Personnel:</b>				
<b>Investment Officer:</b>				
Barry Botti 137 Fairway Drive Bullard, Texas 75757				
<b>Consultants:</b>				
The C.T. Brannon Corp. P.O. Box 7487 Tyler, Texas 75711		\$ 16,399		
McNally & Patrick, LLP 100 E. Ferguson, Suite 400 Tyler, Texas 75702		\$ 11,180		
Acker & Company, CPA's 1614 West Grande Blvd Tyler, Texas 75703		\$ 9,750		

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AND AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of  
Emerald Bay Municipal Utility District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Emerald Bay Municipal Utility District, which comprise the statements of net position as of September 30, 2020, and the related statements of Revenues, Expenses and Changes in Net Position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 4, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Emerald Bay Municipal Utility District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Emerald Bay Municipal Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AND AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Emerald Bay Municipal Utility District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Acker & Company*

Acker & Company  
Certified Public Accountants, PC  
Tyler, Texas  
January 4, 2021

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Summary of Audit Results

- a. The auditors' report expresses an unmodified opinion on the financial statements of Emerald Bay Municipal Utility District.
- b. No material weaknesses in internal control were found during the audit.
- c. No instances of noncompliance material to the financial statements of Emerald Bay Municipal Utility District were disclosed during the audit.

Findings

None.

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

None