

Acker & Company

Certified Public Accountants, PC

March 24, 2023

To the Board of Directors
Emerald Bay Municipal Utility District

We have audited the accompanying financial statements of the Emerald Bay Municipal Utility District, which comprise the statements of Net Position, Revenues, Expenses and Changes in Net Position and Cash Flows, for the year ended September 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 10, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2022 except as required by Government Auditing Standards. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to their financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the District's financial statements was:

Management's estimate of Depreciation which is based on estimated useful lives of the assets. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements was:

The disclosure of Notes payable in Note 6 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

To the Board of Directors
Emerald Bay Municipal Utility District
March 24, 2023
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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the District's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 24, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To the Board of Directors
Emerald Bay Municipal Utility District
March 24, 2023
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Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison information which are required supplementary information (RSI) to the basic financial statements.

Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Texas supplementary schedules which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of the Emerald Bay Municipal Utility District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



ACKER & COMPANY
Certified Public Accountants, PC
Tyler, Texas

**EMERALD BAY MUNICIPAL
UTILITY DISTRICT**

**FINANCIAL STATEMENTS
(With Independent Auditor's Report Thereon)**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

EMERALD BAY MUNICIPAL UTILITY DISTRICT

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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 21st day of MARCH, 2023 its annual audit report for the fiscal year ended September 30, 2022 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.

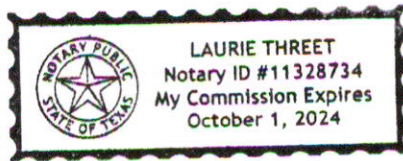
Date: APRIL 28, 2023

By: W.F.H.
(Signature of District Representative)

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

Sworn to and subscribed to before me this 28th day of April, 2023.

Seal



Laurie Threet
(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

Opinion

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Emerald Bay Municipal Utility District, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-7 and 27 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Emerald Bay Municipal Utility District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are 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 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, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information


Management is responsible for the other information included in the annual report. 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 the purpose 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 March 24, 2023, 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 solely 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 the effectiveness of Emerald Bay Municipal Utility District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Emerald Bay Municipal Utility District's internal control over financial reporting and compliance.



ACKER & COMPANY
Certified Public Accountants, PC
Tyler, Texas
March 24, 2023

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 an 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 the repair, maintenance, and improvement of the streets (and bridge) 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 by \$64,737, mainly due to expenditures for generators to be installed at the wastewater treatment plant, lift stations, and wells. On September 30, 2022, \$532,084 remained in the account, available for future projects.

The balance in non-restricted cash accounts, \$1,794,722, increased by \$2,827. These funds are designated for normal operating expenses, debt service, and unforeseen contingencies.

Funds accumulated for road repairs and improvements increased to \$1,135,228. Lot owners in Emerald Bay are assessed a monthly fee and a \$2,000 capital fee is collected when homes are purchased; this is a sinking fund designated for road repair and maintenance, sealcoating, repaving, and other requirements.

Net position in water and wastewater accounts increased to \$3,120,609. At year-end \$1,177,183 is invested in capital assets net of the related debt, \$532,084 is restricted for capital improvements, and \$1,411,342 is unrestricted.

Operating revenue (water and wastewater), \$1,031,889, increased slightly from the prior year mainly due to transfer fees collected at home sales and other revenues; water service revenues were more than the previous year. Operating expenses, exclusive of depreciation, increased due to repair and plant operating expenses.

Emerald Bay Municipal Utility District Management Discussion and Analysis

Net position in the roads and bridge account increased \$49,113. There were no significant expenditures related to roads and bridge. All the funds in the Roads & Bridge Accounts are restricted for road and bridge improvements and repairs. The District anticipates the need to seal-coat the streets in Emerald Bay sometime in the near future.

The District continues to be in a liquid condition with adequate reserves to meet near future operations and equipment needs.

Capital Assets and Long-Term Debt:

The District's capital assets are comprised of: wastewater collection systems and treatment plants; water wells, water storage tanks, and water distribution lines; land, land improvements, and buildings, computers and office equipment; construction in progress; and leasehold improvements. The treatment plants and District office are located on District property within the environs of the Emerald Bay community. The water wells are sited outside the community with pipelines to convey the water to the community.

Roads and Bridge

The District leases the streets within Emerald Bay with the intent for the District to provide street maintenance. Service fees are collected for and restricted to this purpose. The current restricted amount is \$1,081,811. As part of this agreement, the District repaired a bridge within Emerald Bay and resurfaced the streets; the bridge repair is recorded on the District's financial statement for \$289,204 less \$148,456 in depreciation and the re-surfacing is recorded at \$1,138,099 less \$141,827 depreciation.

Capital asset activity for the fiscal year ended September 30, 2022, was as follows:

	Balance 9/30/21	Additions	Deletions	Balance 9/30/22
Capital Assets not Being Depreciated:				
Land & Easements	\$ 174,198	\$ -	\$ 93,331	\$ 80,867
Construction-in-Progress	87,645	-	87,645	-
Total Capital Asset not Being Depreciated	261,843	-	180,976	80,867
Capital Assets Being Depreciated:				
Water System	4,964,902	-	3,961	4,960,941
Sewer System	4,672,255	276,824	-	4,949,079
Other Equipment	179,988	33,508	-	213,496
Leasehold Improvement-Streets	1,138,099	-	-	1,138,099
Leasehold Improvement-Bridge	289,204	-	-	289,204
Total Capital Assets Being Depreciated	11,244,448	310,332	3,961	11,550,819
Less Accumulated Depreciation	(5,911,804)	(349,618)	12,405	(6,249,017)
Net Capital Assets	\$ 5,594,487	\$ (39,286)	\$ 172,532	\$ 5,382,669

Emerald Bay Municipal Utility District Management Discussion and Analysis

Long-Term Debt

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

2014 Revenue Note with Southside Bank, \$2,663,422 outstanding with monthly payments of \$22,678 until September 2034.

2015 Revenue Note with Southside Bank, \$405,044 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.

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 and pump 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). As of this year, that line and pump are complete and operational. When an opportunity presents itself in the future, the District will be extending the pump intake line to deeper water. By waiting until the lake level is very low, the relocation of the water intake to a deeper location in the lake becomes less costly and easier.

The District has installed (6) small Briggs and Stratton 20 kW emergency LP gas generators with automatic transfer switches at all of our remote lift stations with the exception of Lift Station Number 3. These generators will provide power in the event the utility electric service fails. This project is complete and operational as of this publication.

Future Projects

Upgrades and improvements to the wastewater collection and processing systems are being assessed. Projects under consideration are smoke testing the wastewater collection lines, and others. No definite plans have been made at this time.

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

The District has purchased (2) Rolls Royce 230 kW Diesel Generators to supply emergency power to Water Well Number 3 and to replace the current Atlas Copco 100 kW Generator located at the Wastewater Treatment Plant. The Atlas Copco 100 kW Generator will be relocated to Lift Station Number 3 to supply emergency power to that station. The (2) Rolls Royce generators and transfer switches have been delivered but are not yet operational. When the Rolls Royce generators being installed and the Atlas Copco is relocated and become operational, the District will, along with the (6) Briggs and Stratton Generators, add those units to the District SCADA System. This will provide remote monitoring and alarm notification in emergency situations. Fuel for generators is stored onsite.

The District is in the process of securing additional land to construct two new 100 thousand gallon ground storage tanks. The acquisition of this property has proven more difficult than expected due to the fact that the District is having to go through the process of Eminent Domain to acquire the property.

This is a long and costly process through the court system, but the District is confident that it will prevail, and the property will be secured.

Once the acquisition of the additional property is completed, the District anticipates proceeding with the design, public bid, and construction of the two new 100 thousand gallon tanks and the demolition of the existing ground storage tank.

Also under consideration is the painting of the elevated water storage tank; no plans are finalized at this point.

We are in the process of upgrading our computer system servers and transitioning all workstations to Windows 11. This project should be complete in 2023.

There are several additional plans in the future that include the construction of an additional office and equipment building, a roll off sludge dewatering system to replace the current sludge bagging system, and various small projects to allow Wi-Fi communication to our remote well sites.

William Harris, President
Emerald Bay Municipal Utility District

EMERALD BAY MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2022

	ASSETS		
	Water & Sewer Accounts	Roads & Bridges Accounts	Total Enterprise Funds
Current Assets:			
Cash and Cash Equivalents	\$ 1,794,722	\$ 1,135,228	\$2,929,950
Receivables-Service Charges	121,023	-	121,023
Inventory	27,608	-	27,608
Total Current Assets	1,943,353	1,135,228	3,078,581
Noncurrent Assets:			
Net Pension Asset	54,465	-	54,465
Capital Assets			
Land, Land Improvements & Easements	80,867	-	80,867
Sewer System	4,949,079	-	4,949,079
Water Distribution System	4,960,941	-	4,960,941
Other Equipment	213,496	-	213,496
Roads & Bridge	-	1,427,303	1,427,303
Less: Accumulated Depreciation	(5,958,734)	(290,283)	(6,249,017)
Total Capital Assets	4,245,649	1,137,020	5,382,669
Total Noncurrent Assets	4,300,114	1,137,020	5,437,134
TOTAL ASSETS	\$ 6,243,467	\$ 2,272,248	\$ 8,515,715
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Inflows on Pensions	4,161	-	4,161
Total Deferred Outflows of Resources	\$ 4,161	\$ -	\$ 4,161

See accompanying notes to financial statements.

EMERALD BAY MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2022

LIABILITIES

	Water & Sewer Accounts	Roads & Bridges Accounts	Total Enterprise Funds
Current Liabilities:			
Accounts Payable	\$ 13,877	\$ -	\$13,877
Interaccounts payable	-	-	-
Accrued Expenses	11,590	-	11,590
Revenue Notes Payable-Current Portion	279,905	-	279,905
Schedule of Status of Prior Findings	305,372	-	305,372
Noncurrent Liabilities:			
Revenue Notes Payable-Noncurrent Portion	2,788,561	-	2,788,561
Total Noncurrent Liabilities	2,788,561	-	2,788,561
Total Liabilities	\$ 3,093,933	\$ -	\$ 3,093,933
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue on Pension Actuarial Gains	33,086	-	33,086
Total Deferred Outflows of Resources	\$ 33,086	\$ -	\$ 33,086

NET POSITION

Invested in Capital Assets Net of Related Debt	1,177,183	1,137,020	2,314,203
Restricted For Capital Improvements	532,084	-	532,084
Restricted for Roads & Bridges	-	1,081,811	1,081,811
Unrestricted	1,411,342	53,417	1,464,759
Total Net Position	3,120,609	2,272,248	5,392,857
TOTAL LIABILITIES AND NET POSITION	\$ 6,247,628	\$ 2,272,248	\$ 8,519,876

See accompanying notes to financial statements.

EMERALD BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION - PROPRIETARY FUND
September 30, 2022

	Water & Sewer Accounts	Roads & Bridge Accounts	Total Enterprise Funds
Operating Revenues:			
Service Fees	\$ 987,990	\$ 58,376	\$ 1,046,366
Connection & Transfer Fees	26,050	-	26,050
Capital Assessments	-	76,000	76,000
Other Operating Revenues	17,849	13,639	31,488
Total Revenues	<u>1,031,889</u>	<u>148,015</u>	<u>1,179,904</u>
Operating Expenses:			
Administration Expenses	148,861	30,495	179,356
Plant Operating	32,742	-	32,742
Repairs and Maintenance	93,200	652	93,852
Payroll	122,152	-	122,152
Utilities	105,968	-	105,968
Depreciation	292,526	57,092	349,618
Total Operating Expenses	<u>795,449</u>	<u>88,239</u>	<u>883,688</u>
Operating Income (Loss)	<u>236,440</u>	<u>59,776</u>	<u>296,216</u>
Nonoperating Revenue (Expenses)			
Interest Income	11,676	3,674	15,350
Miscellaneous Income	11,268	-	11,268
Miscellaneous Expense	-	(1,804)	(1,804)
Interest Expense	(106,041)	-	(106,041)
Disposition of Abandoned Assets	(3,386)	-	(3,386)
Transfers-Internal Activity	12,533	(12,533)	-
Total Other Revenue (Expense)	<u>(73,950)</u>	<u>(10,663)</u>	<u>(84,613)</u>
Change in Net Position	162,490	49,113	211,603
Total Net Position, October 1, 2021	2,958,119	2,223,135	5,181,254
Total Net Position, September 30, 2022	<u>\$ 3,120,609</u>	<u>\$ 2,272,248</u>	<u>\$ 5,392,857</u>

See accompanying notes to financial statements

EMERALD BAY MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
September 30, 2022

	Water & Sewer Accounts	Roads & Bridges Accounts	Total Enterprise Funds
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 990,964	\$ 157,742	\$ 1,148,706
Cash Paid to Suppliers	(374,330)	(31,147)	(405,477)
Cash Paid to Employees	(122,152)	-	(122,152)
Net Cash Provided by Operating Activities	<u>494,482</u>	<u>126,595</u>	<u>621,077</u>
Cash Flows from Non-Capital Financing Activities:			
Operating Transfer In/(Out)	12,533	(12,533)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>12,533</u>	<u>(12,533)</u>	<u>-</u>
Cash Flows from Capital Financing Activities:			
Principal paid on Revenue Notes & Notes Payable	(279,904)	-	(279,904)
Interest Paid on Revenue Notes & Notes Payable	(106,041)	-	(106,041)
Disposal of Capital Assets	(15,792)	-	(15,792)
Acquisition & Construction of Capital Assets	(125,395)	-	(125,395)
Net Cash Provided (Used) by Capital Financing Activities	<u>(527,132)</u>	<u>-</u>	<u>(527,132)</u>
Cash Flows from Investing Activities			
Other	11,268	(1,804)	9,464
Receipt of Interest	11,676	3,674	15,350
Net Cash used in Investing Activities	<u>22,944</u>	<u>1,870</u>	<u>24,814</u>
Net Change in Cash	2,827	115,932	118,759
Cash and Cash Equivalents, September 30, 2021	<u>1,791,895</u>	<u>1,019,296</u>	<u>2,811,191</u>
Cash and Cash Equivalents, September 30, 2022	<u>\$ 1,794,722</u>	<u>\$ 1,135,228</u>	<u>\$ 2,929,950</u>
Reconciliation of Operating Income to Net Cash Flows			
From Operating Activities:			
Operating Income (Loss)	236,440	59,776	296,216
Add Depreciation Expense	292,526	57,092	349,618
(Increase) Decrease in Current Assets Accounts Receivable, Net	(14,673)	9,727	(4,946)
Increase (Decrease) in Current Liabilities Accounts Payable	(16,326)	-	(16,326)
(Increase) Decrease in Inventory	1,543	-	1,543
(Increase)Decrease in Other Current Assets	4,393	-	4,393
(Increase)Decrease in Net Pension Asset	(30,645)	-	(30,645)
(Increase)Decrease in Deferred Outflows	677	-	677
Increase(Decrease) in Deferred Inflows	20,547	-	20,547
Net Cash Flows from Operating Activities	<u>\$ 494,482</u>	<u>\$ 126,595</u>	<u>\$ 621,077</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 wastewater 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 bridge 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 bridge 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 Fund

This fund 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 & Bridge Fund

This fund accounts for revenue generated from fees charged to Emerald Bay residents for maintenance of roads and bridge 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, 2022, 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, 2022.

Service charges and fees for road maintenance billed but uncollected as of September 30, 2022 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-Bridge	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. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources.

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, 2022, 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.

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. There were no taxes levied for the fiscal year ended September 30, 2022.

EMERALD BAY MUNICIPAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Capital Assets

Capital asset activity for the fiscal year ended September 30, 2022, was as follows:

	Balance 9/30/21	Additions	Deletions	Balance 9/30/22
Capital Assets not Being Depreciated:				
Land & Easements	\$ 174,198	\$ -	\$ 93,331	\$ 80,867
Construction-in-Progress	87,645	-	87,645	-
Total Capital Asset not Being Depreciated	261,843	-	180,976	80,867
Capital Assets Being Depreciated:				
Water System	4,964,902	-	3,961	4,960,941
Sewer System	4,672,255	276,824	-	4,949,079
Other Equipment	179,988	33,508	-	213,496
Leasehold Improvement-Streets	1,138,099	-	-	1,138,099
Leasehold Improvement-Bridge	289,204	-	-	289,204
Total Capital Assets Being Depreciated	11,244,448	310,332	3,961	11,550,819
Less Accumulated Depreciation	(5,911,804)	(349,618)	12,405	(6,249,017)
Net Capital Assets	\$ 5,594,487	\$ (39,286)	\$ 172,532	\$ 5,382,669

NOTE 6 – Long Term Debt

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.

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.

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

NOTE 6 – Long Term Debt: (continued)

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

All loan covenants compliances were met.

Debt outstanding at September 30, 2022, was as follows:

	Interest Rate	Maturity Date	Original Amount	Amount Outstanding
Southside Bank, Series 2014	3.50%	2034	3,900,000	\$ 2,663,422
Southside Bank, Series 2015	2.55%	2026	1,080,000	405,044
				<u>\$ 3,068,466</u>

The following is a summary of the long-term debt transactions for the year ended September 30, 2022:

	Balance 9/30/21	Additions	Reductions	Balance 9/30/22
Southside Bank, Series 2014	\$ 2,838,989	\$ -	\$ 175,567	\$ 2,663,422
Southside Bank, Series 2015	509,381	-	104,337	405,044
	<u>\$ 3,348,370</u>	<u>\$ -</u>	<u>\$ 279,904</u>	<u>\$ 3,068,466</u>

Interest expense for the District's long-term debt was \$115,026 and \$106,041 for the years ended September 30, 2021 and 2022, respectively.

The following is a summary of the maturities of long-term debt at September 30, 2022:

Year End September 30,	Southside Bank Series 2014		Southside Bank Series 2015		Grand Totals		Total Requirements
	Principal	Interest	Principal	Interest	Principal	Interest	
2023	181,812	90,321	107,704	8,408	289,516	98,729	388,245
2024	188,279	83,855	110,024	6,088	298,303	89,943	388,246
2025	194,975	77,158	112,862	3,250	307,837	80,408	388,245
2026	201,909	70,225	74,454	2,954	276,363	73,179	349,542
2027	209,091	63,042	-	-	209,091	63,042	272,133
2028-2032	1,162,439	198,229	-	-	1,162,439	198,229	1,360,668
2033-2034	524,917	19,349	-	-	524,917	19,349	544,266
Total	<u>\$2,663,422</u>	<u>\$602,179</u>	<u>\$405,044</u>	<u>\$20,700</u>	<u>\$3,068,466</u>	<u>\$622,879</u>	<u>\$3,691,345</u>

**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 services the communities of Emerald Bay, Mallard's Cove, and a portion of Windcliff Harbor. The District has approximately 640 customers who pay a base sewer rate each month of \$43.25 for residential customers and \$53.75 for commercial customers. There are approximately 604 customers who pay a base water rate of \$65.75 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), 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 ensure 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.

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. EBMUDPP is a single employer defined pension plan administered by TCDRS. 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.

Member employers choose the rate of withholding for employees. TCDRS then determines actuarially the rate by which the employer contributes to the plan. The combination of the two rates and the earnings of the funds in the plan is designed to provide retirement funds at the time of employee retirement. The rate of employee contribution is 4% of earnings and the current employer rate of contribution is 1.41%. The employer rate is reviewed annually and may change.

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

NOTE 9 – Retirement Plan: (continued)

Employees Covered

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	8
Active employees	4
	12

Contributions

The District has the authority to establish and amend the contribution requirements of the EBMUDPP. The District establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended September 30, 2022, the average active employee contribution rate was 4.0 percent of annual pay, and the District's contribution rate was 1.41 percent. The district's contributions to TCDRS for the year ended September 30, 2022, were \$2,097, and were equal to the required contributions.

Net Pension Liability/(Asset)

The District's net pension liability/ (asset) was measured December 31, 2021, and the total pension liability used to calculate the net pension liability/ (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	4.70 percent over career including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.

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

NOTE 9 – Retirement Plan: (continued)

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68. The economic assumptions were reviewed at the March 2021 TCDRS Board of Trustees meeting and revised assumptions were adopted. These revisions included reductions in the investment return, wage growth, and maximum payroll growth assumptions. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2021 information for a 10 year time horizon.

Note that the valuation assumption for the long-term expected return is re-assessed in detail at a minimum of every four years and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

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	11.50%	3.80%
Global Equities	2.50%	4.10%
International Equities - Developed Mkts	5.00%	3.80%
International Equities - Emerging Mkts	6.00%	4.30%
Investment Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	1.77%
Direct Lending	16.00%	6.25%
Distressed Debt	4.00%	4.50%
REIT Equities	2.00%	3.10%
Master Limited Partnerships (MLPs)	2.00%	3.85%
Private Real Estate Partnerships	6.00%	5.10%
Private Equity	25.00%	6.80%
Hedge Funds	6.00%	1.55%
Cash Equivalents	2.00%	-1.05%
Total	100.0%	

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

NOTE 9 – Retirement Plan: (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.60 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.

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 12/31/2020	\$ 52,090	\$ 75,910	\$ (23,820)
Changes for the year:			
Service cost	6,204	-	6,204
Interest on total pension liability	3,795	-	3,795
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(18,577)	-	(18,577)
Effect of assumptions changes or inputs	(533)	-	(533)
Refund of Contributions	-	-	-
Contributions - employer	-	1,669	(1,669)
Contributions - employee	-	4,734	(4,734)
Net investment income	-	15,455	(15,455)
Benefit payments, including refunds of employee contributions	(17,008)	(17,008)	-
Administrative expenses	-	(44)	44
Other changes	-	(280)	280
Net changes	\$ (26,119)	\$ 4,526	\$ (30,645)
Balance at 12/31/2021	\$ 25,971	\$ 80,436	\$ (54,465)

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

NOTE 9 – Retirement Plan: (continued)

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 7.6%, 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 (6.6%) or 1 percentage point higher (8.6%) than the current rate:

	Discount Rate (6.6%)	Discount Rate (7.6%)	Discount Rate (8.6%)
District's Net Pension Liability	<u>\$ (52,205)</u>	<u>\$ (54,465)</u>	<u>\$ (56,369)</u>

Pension plan fiduciary net position

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

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

For the year ended September 30, 2022, the District recognized pension income of \$7,361 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	\$ 1,031	\$ 22,950
Changes in actuarial assumptions	1,615	474
Difference between projected and actual investment earnings	-	9,662
Contributions subsequent to the measurement date	1,515	-
Total	<u>\$ 4,161</u>	<u>\$ 33,086</u>

\$1,515 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, 2023.

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

NOTE 9 – Retirement Plan: (continued)

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:		
2023	\$	(7,218)
2024		(6,679)
2025		(4,185)
2026		(3,882)
2027		(2,118)
Thereafter		<u>(6,358)</u>
Total	\$	<u>(30,440)</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. The District does not provide OPEB benefits to retirees.

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. 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 2022, 2021, 2020, 2019, 2018, and 2017, were \$133, \$86, \$114, \$125, \$200, and \$138, respectively, which equaled the contractually required contributions each year.

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

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 March 24, 2023 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.

NOTE 12 – Newly Issued Accounting Standards:

In 2022, the District implemented GASB Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period* which will (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period by requiring that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the cost of a capital asset reported in a business type activity or enterprise fund. The adoption of this accounting standard did not have an impact on the District's financial position or changes in its net position.

REQUIRED SUPPLEMENTARY INFORMATION

**EMERALD BAY MUNICIPAL UTILITY DISTRICT
BUDGET COMPARISON SCHEDULE
REQUIRED SUPPLEMENTARY INFORMATION
PROPRIETARY FUND
September 30, 2022**

	Original Budget	Amendments	Amended Budget	Actual	Variance
Revenues					
Charges for Services	\$ 979,727	\$ 939	\$ 980,666	\$ 1,046,366	\$ 65,700
Initiation Fees	60,000	28,000	88,000	76,000	(12,000)
Other Revenues	38,400	11,433	49,833	57,538	7,705
Total Revenues	<u>1,078,127</u>	<u>40,372</u>	<u>1,118,499</u>	<u>1,179,904</u>	<u>61,405</u>
Expenses					
Accounting Audit & Legal Fees	11,402	3,568	14,970	25,934	(10,964)
Engineering & Consulting	5,075	7,755	12,830	5,556	7,274
Insurance	17,231	(150)	17,081	19,968	(2,887)
Licenses & Assessments	2,500	360	2,860	3,433	(573)
Miscellaneous	31,330	(8,020)	23,310	42,824	(19,514)
Office & Collections	15,840	29,785	45,625	81,641	(36,016)
Payroll	178,800	(34,584)	144,216	122,152	22,064
Plant Operating	18,068	4,270	22,338	32,742	(10,404)
Repairs & Maintenance	58,380	8,322	66,702	93,852	(27,150)
Utilities	99,600	(11,300)	88,300	105,968	(17,668)
Depreciation	397,126	-	397,126	349,618	47,508
Total Expenses	<u>835,352</u>	<u>6</u>	<u>835,358</u>	<u>883,688</u>	<u>48,330</u>
Revenues in Excess of or (Deficient) of Expenses	242,775	40,366	283,141	296,216	13,075
Other Revenues (Expenses)					
Interest Income	24,360	(3,630)	20,730	15,350	(5,380)
Miscellaneous Income	-	630	630	11,268	10,638
Interest Expense	(121,075)	4,105	(116,970)	(106,041)	10,929
Miscellaneous Expense	-	-	-	(5,190)	(5,190)
Net Other Revenue (Expense)	<u>(96,715)</u>	<u>1,105</u>	<u>(95,610)</u>	<u>(84,613)</u>	<u>10,997</u>
Net Change in Fund Balances	146,060	41,471	187,531	211,603	24,072
Prior Period Adjustments	-	-	-	-	-
Beginning Fund Balances	<u>5,181,254</u>	<u>-</u>	<u>5,181,254</u>	<u>5,181,254</u>	<u>-</u>
Ending Fund Balances	<u>\$ 5,327,314</u>	<u>\$ 41,471</u>	<u>\$ 5,368,785</u>	<u>\$ 5,392,857</u>	<u>\$ 24,072</u>

See accompanying notes to the financial statements

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

	Year ended December 31							
	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service Cost	\$ 6,204	\$ 7,681	\$ 7,332	\$ 12,608	\$ 7,521	\$ 10,959	\$ 8,883	\$ 7,271
Interest on total pension liability	3,795	4,253	3,568	3,278	1,994	1,559	1,517	854
Effect of plan changes	-	-	-	-	-	-	(508)	-
Effect of assumption changes or inputs	(533)	3,171	-	-	26	-	166	-
Effect of economic/demographic (gains) or losses	(18,577)	(5,102)	(160)	(7,030)	2,227	(4,335)	(6,867)	79
Benefit payments/refunds of contributions	(17,008)	(5,370)	-	-	(1,962)	(7,856)	-	(1,273)
Net Change in Total Pension Liability	(26,119)	4,633	10,740	8,856	9,806	327	3,191	6,931
Total Pension Liability - Beginning	52,090	47,457	36,717	27,861	18,055	17,728	14,537	7,606
Total Pension Liability - Ending (a)	\$ 25,971	\$ 52,090	\$ 47,457	\$ 36,717	\$ 27,861	\$ 18,055	\$ 17,728	\$ 14,537
Plan Fiduciary Net Position								
Employer contributions	\$ 1,669	\$ 1,591	\$ 2,376	\$ 2,507	\$ 3,082	\$ 4,089	\$ 4,402	\$ 3,901
Member contributions	4,734	4,643	4,704	6,512	6,226	5,820	5,828	5,219
Investment income net of investment expenses	15,455	7,031	8,564	(713)	4,719	2,014	(166)	521
Benefit payments/refunds of contributions	(17,008)	(5,370)	-	-	(1,962)	(7,856)	-	(1,273)
Administrative expenses	(44)	(56)	(52)	(41)	(29)	(22)	(16)	(10)
Other	(280)	32	252	273	99	1,014	(2)	(1)
Net Change in Plan Fiduciary Net Position	4,526	7,871	15,844	8,538	12,135	5,059	10,046	8,357
Plan Fiduciary Net Position - Beginning	75,910	68,039	52,195	43,657	31,522	26,463	16,417	8,059
Plan Fiduciary Net Position - Ending (b)	\$ 80,436	\$ 75,910	\$ 68,039	\$ 52,195	\$ 43,657	\$ 31,522	\$ 26,463	\$ 16,416
Net position liability/(asset), ending = (a)-(b)	\$ (54,465)	\$ (23,820)	\$ (20,582)	\$ (15,478)	\$ (15,796)	\$ (13,467)	\$ (8,735)	\$ (1,879)
Plan Fiduciary net position as a Percentage of Total Pension Liability	309.71%	145.73%	143.37%	142.15%	156.70%	174.59%	149.27%	112.93%
Covered Employee Payroll	\$ 118,359	\$ 116,071	\$ 117,612	\$ 162,794	\$ 155,661	\$ 145,505	\$ 145,710	\$ 130,486
Net Pension Liability as a Percentage of Covered Employee Payroll	-46.02%	-20.52%	-17.50%	-9.51%	-10.15%	-9.26%	-5.99%	-1.44%

See accompanying notes to financial statements.

EMERALD BAY MUNICIPAL UTILITY DISTRICT
Schedule of Employer Contributions
Last 10 Fiscal Years (will ultimately be displayed)

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 2,058	\$ 1,669	\$ 1,590	\$ 2,376	\$ 2,507	\$ 3,082	\$ 4,089	\$ 4,400
Contributions in relation to the actuarially determined contribution	(2,058)	1,669	1,590	2,376	2,507	3,082	4,089	4,402
Contribution deficiency (excess)	\$ -	\$ 3,338	\$ 3,180	\$ 4,752	\$ 5,014	\$ 6,164	\$ 8,178	\$ 8,802
Covered Employee Payroll	\$ 151,063	\$ 118,359	\$ 116,071	\$ 117,612	\$ 162,794	\$ 155,661	\$ 145,505	\$ 145,707
Contributions as a percentage of Covered Employee Payroll	1.36%	-1.41%	-1.37%	-2.02%	-1.54%	-1.98%	-2.81%	-3.02%

See accompanying notes to financial statements.

**EMERALD BAY MUNICIPAL UTILITY DISTRICT
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.0%, net of investment expenses, including inflation.
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.
Other Information:	There were no benefit changes during the year.

TEXAS SUPPLEMENTARY SCHEDULES

**EMERALD BAY MUNICIPAL UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES
September 30, 2022**

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	\$ 65.75	2,000 Gallons	N	\$ 2.50
Wastewater				
Residential	\$ 43.25	N/A	Y	N/A
Commercial	\$ 53.75	N/A	Y	N/A

District employs winter averaging for wastewater usage: NO

Total Charges per 10,000 gallons usage:	Water:	\$ 85.75
	Wastewater:	
	Residential	\$ 43.25
	Commercial	\$ 53.75

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"	580	580	1.0	580.0
1"	22	22	2.5	55.0
1.5"	2	2	5.0	10.0
2"	-	-	8.0	0.0
Total Water	604	604		645.0
Total Wastewater	640	640	1.0	640.0

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

Gallons pumped into the system	64,758,200
Gallons billed to customers	57,832,715
Water Accountability Ratio	0.89306

**EMERALD BAY MUNICIPAL UTILITY DISTRICT
SCHEDULE OF PROPRIETARY FUND EXPENSES
September 30, 2022**

Personnel Expenditures (Including Benefits)	\$ 190,043
Professional Fees:	
Auditing	11,200
Legal	16,974
Engineering	5,557
Purchased Services for Resale	-
Contracted Services:	
Testing	5,098
Utilities	105,968
Repairs and Maintenance	79,097
Administrative Expenditures	
Director's Fees	-
Office	39,764
Insurance	11,850
Licenses	2,708
Interest	106,041
Other Administrative Expenses	37,777
Other Expenses	
Plant Operating	4,602
Chlorine Supplies	7,908
Sludge Handling	10,889
	<hr/>
Total Expenditures	<u>\$ 635,476</u>
Number of Employees	
Full Time	3
Part Time	0

**EMERALD BAY MUNICIPAL UTILITY DISTRICT
TEMPORARY INVESTMENTS
September 30, 2022**

<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%	11/1/2021	\$ -	\$ -
Certificate of Deposit	550005757	2.00%	2/1/2022	-	-
Certificate of Deposit	550005765	1.87%	11/1/2021	-	-
Certificate of Deposit	550005773	2.00%	2/1/2022	-	-
Certificate of Deposit	550005781	2.00%	2/1/2022	-	-
Certificate of Deposit	550030255	0.16%	1/28/2022	-	-
Certificate of Deposit	550030247	0.16%	2/10/2022	-	-
Certificate of Deposit	550030220	0.16%	2/10/2022	-	-
Certificate of Deposit	550030204	0.16%	2/10/2022	-	-
Total				<u>\$ -</u>	<u>\$ -</u>

**EMERALD BAY MUNICIPAL UTILITY DISTRICT
SCHEDULE OF TAXES LEVIED AND RECEIVABLE
September 30, 2022**

Taxes Receivable, Beginning of Year	\$ 584
2019 Original Tax Levy	-
Adjustments	<u>(16)</u>
Total to Account for	<u>568</u>

Tax Collections:	
Current Year	-
Prior Years	<u>-</u>
Total Collections	<u>\$ -</u>
Taxes Receivable, End of Year	<u>\$ 568</u>

Taxes Receivable, By Years	
2006	\$ 173
2007	180
2008	166
2009	<u>49</u>
Taxes Receivable, End of Year	<u>\$ 568</u>

Fiscal Year	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Property Valuations	\$166,037,697	\$157,002,752	\$154,302,251	\$153,995,385
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 2017-2021. 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, 2022

Fiscal Years Ending 9/30	2014 Revenue Note			2015 Revenue Note			Total for All Revenue Notes		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2023	181,812	90,321	272,133	107,704	8,408	116,112	289,516	98,729	388,245
2024	188,279	83,855	272,134	110,024	6,088	116,112	298,303	89,943	388,246
2025	194,975	77,158	272,133	112,862	3,250	116,112	307,837	80,408	388,245
2026	201,909	70,225	272,134	74,454	2,954	77,408	276,363	73,179	349,542
2027	209,091	63,042	272,133	-	-	-	209,091	63,042	272,133
2028	216,528	55,606	272,134	-	-	-	216,528	55,606	272,134
2029	224,229	47,904	272,133	-	-	-	224,229	47,904	272,133
2030	232,204	39,930	272,134	-	-	-	232,204	39,930	272,134
2031	240,463	31,670	272,133	-	-	-	240,463	31,670	272,133
2032	249,015	23,119	272,134	-	-	-	249,015	23,119	272,134
2033	257,872	14,261	272,133	-	-	-	257,872	14,261	272,133
2034	267,045	5,088	272,133	-	-	-	267,045	5,088	272,133
	<u>2,663,422</u>	<u>602,179</u>	<u>3,265,601</u>	<u>405,044</u>	<u>20,700</u>	<u>425,744</u>	<u>3,068,466</u>	<u>622,879</u>	<u>3,691,345</u>

EMERALD BAY MUNICIPAL UTILITY DISTRICT
ANALYSIS OF CHANGES IN REVENUE NOTES
September 30, 2022

	Southside Bank Series 2010B	Southside Bank Series 2014	Southside Bank Series 2015	Southside Bank Series 2017	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	\$ -	\$ 2,838,989	\$ 509,382	\$ -	\$ 3,348,371
Revenue Notes Incurred During Current Year	-	-	-	-	\$ -
Retirements During Current Year	-	175,567	104,338	0	\$ 279,905
Revenue Notes Outstanding at End of Year	<u>\$ -</u>	<u>\$ 2,663,422</u>	<u>\$ 405,044</u>	<u>\$ 0</u>	<u>\$ 3,068,466</u>
Interest Paid During Year	\$ -	\$ 99,595	\$ 13,965	\$ 0	\$ 113,560
Bond Authority	<u>Tax Bonds</u>	<u>Revenue Notes</u>	<u>Refund Bonds</u>	<u>Refund Bonds</u>	
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, 2022					<u>\$ -</u>
Average Annual Debt Service Requirements for Remaining Term of all Revenue Notes					<u>\$ 313,815</u>

EMERALD BAY MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES & EXPENSES
PROPRIETARY FUND - UNAUDITED
September 30, 2022

Fiscal Year Ended September 30,	2022	2021	2020	2019	2018	2017	2022	2021	2020	2019	2018	2017
Operating Revenues							Percentages					
Water/Sewer Charges	\$ 987,990	\$ 937,562	\$ 950,529	\$ 918,640	\$ 954,012	\$ 931,702	83.73	80.89	66.30	66.04	71.71	85.96
Road/Bridge Charges	58,376	58,258	351,453	352,614	248,822	47,084	4.95	5.03	24.51	25.35	18.70	4.38
Connection and Other Fees	133,538	163,266	131,798	119,874	127,501	84,046	11.32	14.09	9.19	8.62	9.58	9.66
Total Operating Revenues	1,179,904	1,159,086	1,433,780	1,391,128	1,330,335	1,062,832	100.00	100.00	100.00	100.00	100.00	100.00
Operating Expenses												
Utilities	105,968	108,482	98,780	110,381	106,768	119,553	8.98	9.36	6.89	7.93	8.03	11.61
Plant Operations	103,277	25,470	18,172	19,217	23,004	24,514	8.75	2.20	1.27	1.38	1.73	3.13
Payroll	86,456	158,593	160,428	160,092	210,722	177,171	7.33	13.68	11.19	11.51	15.84	17.76
Insurance	11,850	16,512	19,321	18,745	20,019	17,510	1.00	1.42	1.35	1.35	1.50	0.83
Licenses and Assessments	2,708	2,819	2,712	3,111	3,123	3,733	0.23	0.24	0.19	0.22	0.23	0.92
Repair and Maintenance	106,154	84,584	52,662	55,072	38,165	55,320	9.00	7.30	3.67	3.96	2.87	5.18
Roads Administration	-	-	13,205	-	-	-	0.00	0.00	0.92	0.00	0.00	0.00
Miscellaneous	24,446	21,502	29,793	24,853	17,744	23,281	2.07	1.86	2.08	1.79	1.33	1.44
Office	133,075	50,470	16,278	10,210	16,415	28,840	11.28	4.35	1.14	0.73	1.23	2.26
Accounting, Audit, and Legal	28,174	16,296	10,852	32,820	55,521	34,376	2.39	1.41	0.76	2.36	4.17	4.99
Depreciation	349,618	389,188	397,845	346,668	329,309	329,180	29.63	33.58	27.75	24.92	24.75	25.58
Total Operating Expenses	951,726	873,916	820,048	781,169	820,790	813,478	80.66	75.40	57.21	56.15	61.68	73.70
Operating Revenues Less Expenses	228,178	285,170	613,732	609,959	509,545	249,354	19.34	24.60	42.79	43.85	38.32	26.30
Other Revenue/Expenses												
Interest Income	15,350	20,650	24,647	17,715	12,602	7,032	1.30	1.78	1.72	1.27	0.95	0.79
Miscellaneous Revenue	11,268	25,983	44,226	1,998	988	6,080	0.95	2.24	3.08	0.14	0.07	8.95
Interest Expense	(106,041)	(115,087)	(126,912)	(132,855)	(137,576)	(155,538)	(8.99)	(9.93)	(8.85)	(9.55)	(10.34)	(3.37)
Other Expense	(5,190)	(1,315)	(23,621)	-	(23,360)	(1,590)	(0.44)	(0.11)	(1.65)	0.00	(1.76)	(1.06)
Total Other Revenues/Expenses	(84,613)	(69,769)	(81,660)	(113,142)	(147,346)	(144,016)	(7.18)	(6.02)	(5.70)	(8.14)	(11.08)	5.31
Net Revenues Less Expenses	\$ 143,565	\$ 215,401	\$ 532,072	\$ 496,817	\$ 362,199	\$ 105,338	12.16	18.58	37.09	35.71	27.24	31.61

**EMERALD BAY MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
September 30, 2022**

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>
Board Members:				
William F. Harris 142 Marina Drive Bullard, Texas 75757	May 2024	\$ -	President	Yes
Becky Kirkpatrick 136 Williamsburg Lane Bullard, Texas 75757	May 2024	\$ -	Secretary	Yes
Inge Grant 144 Marina Drive Bullard, Texas 75757	May 2026	\$ -	VP	Yes
Dwight Cole 123 Marina Drive Bullard, Texas 75757	May 2026	\$ -	VP	Yes
Cayla Washburn 107 Newport Ln Bullard, Texas 75757	May 2026	\$ 92	Treasurer	Yes
Key Administrative Personnel:				
Investment Officer:				
Cayla Washburn 107 Newport Ln Bullard, Texas 75757				
Consultants:				
The C.T. Brannon Corp. P.O. Box 7487 Tyler, Texas 75711		\$ 13,471		
Patrick Law Offices PO Box 938 Lindale, Texas 75771		\$ 10,182		
Acker & Company, CPA's 1614 West Grande Blvd Tyler, Texas 75703		\$ 11,200		
Mathews & Freeland LLC West Park Suite 240 8140 N Mopac Expressway Austin, TX 78759-8884		\$ 5,785		

**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, 2022, 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 March 24, 2023.

Report on 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) as a basis for designing 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*

Report on 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 financial statements. 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
March 24, 2023

**EMERALD BAY MUNICIPAL UTILITY DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Summary of Audit Results

- a. The auditor's 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, 2022**

None