

**Emerald Bay Municipal Utility District**

**Financial Statements Together  
With Auditor's Report  
And Supplemental Information**

**For the Year Ended September 30, 2023**

**Gollob Morgan Peddy PC**  
CERTIFIED PUBLIC ACCOUNTANTS

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Members American Institute of Certified Public Accountants and Private Companies Practice Section

# EMERALD BAY MUNICIPAL UTILITY DISTRICT

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**ANNUAL FILING AFFIDAVIT**

STATE OF TEXAS  
COUNTY OF SMITH

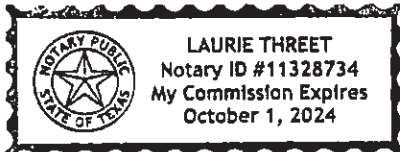
I, William F. Harris, President of Emerald Bay Municipal Utility District hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the 23rd day of January, 2024 its annual audit report for the fiscal period ended September 30, 2023 and that copies of the annual audit report have been filed in the District's office, located at 155 La Salle Drive, Bullard, Texas.

The filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

Date: Jan 25, 2024 By: W.F. Harris  
(Signature of District Representative)

William Harris, President

Sworn to and subscribed to before me this 25<sup>th</sup> day of January, 2024



(SEAL)

Laurie Threet  
(Signature of Notary)

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

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

#### *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 ("the District"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Emerald Bay Municipal Utility District, as of September 30, 2023 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 Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 opinions.

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

Emerald Bay Municipal Utility District's 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.

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.

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8, budgetary information on page 29 and the schedule of changes in net pension liability and related ratios, and the schedule of contributions, on pages 30-32, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Emerald Bay Municipal Utility District' basic financial statements. The supplementary information included in TSI-2 – TSI-6 and TSI-8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional supplementary 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. 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, the additional supplementary information is 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. The other information comprises the Annual Filing Affidavit and the Supplementary information in TSI-1 and TSI-7 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2024, on our consideration of 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* in considering Emerald Bay Municipal Utility District's internal control over financial reporting and compliance.

*Gollob Morgan Peddy PC*

Certified Public Accountants

Tyler, Texas  
January 15, 2024

**Emerald Bay Municipal Utility District  
Management's Discussion and Analysis  
September 30, 2023**

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 into 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 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 and 35. 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 increased \$4,016. On September 30, 2023, \$536,100 remained in the account, available for future projects.

The balance in non-restricted cash accounts, \$1,135,171, decreased by \$127,467. These funds are designated for normal operating expenses, debt service, and unforeseen contingencies.

Funds accumulated for road repairs and improvements increased to \$1,231,173. Lot owners in Emerald Bay are assessed a monthly fee and a \$2,000 capital fee is collected when homes are purchased; these funds are designated for road repair and maintenance, seal-coating, and other requirements.

Net position in water and wastewater accounts increased to \$3,310,757. At year-end, \$1,500,878 is invested in capital assets net of the related debt, \$536,100 is restricted for capital improvements, and \$1,273,779 is unrestricted.

Operating revenue (water and wastewater), \$1,103,839, increased slightly from the prior year mainly due to transfer fees collected at home sales, rate increases, and other revenues; water service revenues were more than the previous year. Operating expenses, exclusive of depreciation, increased due to repair and administrative expenses.

**Emerald Bay Municipal Utility District  
Management’s Discussion and Analysis  
September 30, 2023**

Net position in the roads and bridges account increased by \$38,853 to \$2,311,101 for the year. There were no significant expenditures related to roads and bridges. All the funds in the Roads & Bridges 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, 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 Bridges**

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 \$1,231,173.

Capital asset activity for the fiscal year ended September 30, 2023 was as follows:

	Balance 9/30/22	Additions	Deletions	Balance 9/30/23
Capital Assets not Being Depreciated:				
Land & Easements	\$ 174,654	\$ 7,117	\$ -	\$ 181,771
Construction-in-Progress	-	142,725	-	142,725
Total Capital Asset not Being Depreciated	<u>174,654</u>	<u>149,842</u>	<u>-</u>	<u>324,496</u>
Capital Assets Being Depreciated:				
Water System	4,958,502	189,010	-	5,147,512
Sewer System	4,857,731	8,369	-	4,866,100
Other Equipment	213,496	1,589	-	215,085
Roads & Bridges Capital Assets	1,427,303	-	-	1,427,303
Total Capital Assets Being Depreciated	<u>11,457,032</u>	<u>198,968</u>	<u>-</u>	<u>11,656,000</u>
Less Accumulated Depreciation	<u>(6,261,285)</u>	<u>(359,455)</u>	<u>-</u>	<u>(6,620,740)</u>
Net Capital Assets	<u>\$ 5,370,401</u>	<u>\$ (10,645)</u>	<u>\$ -</u>	<u>\$ 5,359,756</u>



**Emerald Bay Municipal Utility District  
Management's Discussion and Analysis  
September 30, 2023**

Construction in progress in the water and sewer accounts at the year-end was \$142,725, including partial expenditures for a pipeline under Lake Palestine to our collection ponds, Website upgrades, and expenditures to install generators at our lift stations.

**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, \$2,481,610 outstanding with monthly payments of \$22,678 until September 2034.

2015 Revenue Note with Southside Bank, \$297,340 outstanding with monthly payments of \$9,698 until June 2026. This note was used to retire a previous note that carried a higher interest rate.

**Current and Future Projects:**

The District completed several major and minor projects this year to update and improve the District's facilities and equipment.

A permanent underground electric line to supply power to the flow meter located on the southwest side of the effluent storage ponds was constructed. This was done to ensure that the District has a stable source of electricity to power heaters for the flow meter during extreme weather conditions.

The emergency lake water pump located behind the number 10 golf course putting green was updated with an electrical control panel to control the flow of non-potable pump priming water supplied from the golf course sprinkler system. In the past, priming of the pump required manually connecting water hoses to inject water to start the pump. This addition automates that process. Additionally, the District inspected the pump intake to verify that the intake was clear of debris, not silted up, and checked its depth below the surface of the lake water. The District will be extending the pump intake into deeper water when the lake is lower. By waiting until the lake level is very low, the relocation of the water intake to a deeper location in the lake becomes easier and more cost effective.

The wastewater plant yard lights were destroyed by damaging winds. The District replaced and relocated an all-metal tower with powerful LED flood lights that greatly improved the plant yard lighting. This project also required the relocation of electrical power lines and security cameras.

Concrete retaining walls were constructed around lift stations numbers 1, 4, 5, 6, and 7 to block the flow of stormwater into the lift station wells. Once completed, weed barrier covering was installed and covered with gravel to eliminate the need for mowing.

The District also 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. This purchase was in response to a mandate from the Texas Legislature to improve the reliability of water purveyors during severe weather. The installation of these new generators is complete, and both will be operational when the control, reporting, and alarm capability

**Emerald Bay Municipal Utility District  
Management's Discussion and Analysis  
September 30, 2023**

to the Districts SCADA System (System Control and Data Acquisition) are added. Additionally, we will be adding the (6) small Briggs and Stratton 20 KW emergency generators that were purchased and installed last year to the SCADA System. The existing Atlas Copco 100 KW Generator that was replaced by one of the new Rolls Royce Generators located at the wastewater treatment plant will be relocated to Lift Station Number 3 to supply emergency power to that station. It should be noted that once the Atlas Copco becomes operational all water and wastewater locations will have emergency backup power.

Water wells 1 and 2 were completely overhauled and repaired. While this was an unscheduled project, it became apparent this summer that the District needed to act when the pumping level and water production dropped significantly. New pumps, motors, electrical wiring, and production pipe were installed. Additionally, both pumps were lowered approximately 100 feet. The lowering of the pumps resulted in an increase of 175 GPM (Gallons Per Minute). The combined pumping capability of all three wells (1,2, and 3) is now approximately 950 GPM. The District is considering lowering the pump at well 3 but has not made a final decision.

Last year it was noted that the 212,000-gallon ground storage tank located at well 1 needed to be replaced due to internal rust and associated leaks. Noting that the old ground storage tank cannot be destroyed until the new tanks are operational a need for additional land is needed to be acquired to erect 2 new 100,000-gallon tanks. After a long and difficult legal process, the District was successful in acquiring the additional land that is required. The process of clearing and fencing the additional property for construction is now underway and the engineering design and bidding process will soon begin.

The District is in the process of upgrading the computer system servers and transitioning all workstations to Windows 11 Pro. This project should have been completed last year; however, due to various scheduling and technical problems, it was not completed. The new server is complete and all workstations and laptops except one have been upgraded to Windows 11. The District is also being required to update the Neptune Meter Software to a cloud-based system because the current Neptune server-based software will not operate on the new server. Lastly, once the Neptune Software is transitioned to the cloud, the old server will be updated with a new operating system and hard drives. All SCADA Software will be moved to this server. This will create a more reliable and safer environment for our critical SCADA System.

The District will be purchasing a roll-off container for sludge disposal this year. It will require some modifications to the existing sludge containment building which will take some time to complete.

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. This is a major project and no definite plans have been made at this time.

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

An automated gate and employee parking lot are planned at the wastewater treatment plant. The electrical power connection is in place for the gate and the new plant lighting system will be more than adequate to light the parking lot.

**Emerald Bay Municipal Utility District  
Management's Discussion and Analysis  
September 30, 2023**

Within a few years, the streets will require a seal coat to be applied. No firm dates have been set for this project.

There are several additional plans in the future that include the construction of an additional office, equipment building, and various small projects to allow WiFi communication to our remote well sites.

Respectfully,

William Harris, President  
Emerald Bay Municipal Utility District

## **Basic Financial Statements**

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
SEPTEMBER 30, 2023**

	Water & Sewer Accounts	Roads & Bridges Accounts	Total Enterprise Funds
<b>ASSETS</b>			
Current Asset:			
Cash and Cash Equivalents	\$ 1,671,271	\$ 1,231,173	\$ 2,902,444
Receivables - Service Charges	188,337	-	188,337
Inventory & Prepaids	39,000	-	39,000
Total Current Assets	1,898,608	1,231,173	3,129,781
Noncurrent Assets:			
Net Pension Asset	46,749	-	46,749
Capital Assets			
Land, Land Improvements & Easements	181,771	-	181,771
Sewer System	4,866,100	-	4,866,100
Water Distribution System	5,147,512	-	5,147,512
Other Equipment	215,085	-	215,085
Construction in Progress	142,725	-	142,725
Roads & Bridge	-	1,427,303	1,427,303
Less: Accumulated Depreciation	(6,273,365)	(347,375)	(6,620,740)
Total Capital Assets	4,279,828	1,079,928	5,359,756
Total Noncurrent Assets	4,326,577	1,079,928	5,406,505
<b>TOTAL ASSETS</b>	<b>\$ 6,225,185</b>	<b>\$ 2,311,101</b>	<b>\$ 8,536,286</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows on Pensions	11,984	-	11,984
Total Deferred Outflows of Resources	\$ 11,984	\$ -	\$ 11,984

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
SEPTEMBER 30, 2023**

	Water & Sewer Accounts	Roads & Bridges Accounts	Total Enterprise Funds
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$ 96,503	\$ -	\$ 96,503
Accrued Expenses	24,447	-	24,447
Revenue Notes Payable - Current Portion	298,303	-	298,303
Total Current Liabilities	<u>419,253</u>	<u>-</u>	<u>419,253</u>
Noncurrent Liabilities:			
Revenue Notes Payable - Noncurrent Portion	2,480,647	-	2,480,647
Total Noncurrent Liabilities	<u>2,480,647</u>	<u>-</u>	<u>2,480,647</u>
Total Liabilities	<u>2,899,900</u>	<u>-</u>	<u>2,899,900</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows on Pensios	26,512	-	26,512
Total Deferred Outflows of Resources	<u>26,512</u>	<u>-</u>	<u>26,512</u>
<b>NET POSITION</b>			
Invested in Capital Assets Net of Related Debt	1,500,878	1,079,928	2,580,806
Restricted For Capital Improvements	536,100	-	536,100
Restricted for Roads & Bridges	-	1,231,173	1,231,173
Unrestricted	1,273,779	-	1,273,779
Total Net Position	<u>3,310,757</u>	<u>2,311,101</u>	<u>5,621,858</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 6,237,169</u>	<u>\$ 2,311,101</u>	<u>\$ 8,548,270</u>

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
SEPTEMBER 30, 2023**

	Water & Sewer Accounts	Roads & Bridges Accounts	Total Enterprise Funds
<b>Operating Revenues:</b>			
Service Fees	\$ 1,078,694	\$ 58,322	\$ 1,137,016
Connection & Transfer Fees	14,142	-	14,142
Capital Assessments	-	46,000	46,000
Other Operating Revenues	11,003	6,377	17,380
Total Revenues	<u>1,103,839</u>	<u>110,699</u>	<u>1,214,538</u>
<b>Operating Expenses:</b>			
Administration Expenses	154,877	25,335	180,212
Plant Operating	37,384	-	37,384
Repairs and Maintenance	104,845	100	104,945
Payroll	162,934	-	162,934
Utilities	102,482	-	102,482
Depreciation	302,363	57,092	359,455
Total Operating Expenses	<u>864,885</u>	<u>82,527</u>	<u>947,412</u>
Operating Income (Loss)	<u>238,954</u>	<u>28,172</u>	<u>267,126</u>
<b>Nonoperating Revenue (Expenses)</b>			
Interest Income	14,958	10,692	25,650
Miscellaneous Income	37,505	-	37,505
Miscellaneous Expense	(6,481)	(11)	(6,492)
Interest Expense	(94,788)	-	(94,788)
Total Other Revenue (Expense)	<u>(48,806)</u>	<u>10,681</u>	<u>(38,125)</u>
Change in Net Position	190,148	38,853	229,001
Total Net Position, October 1, 2022	<u>3,120,609</u>	<u>2,272,248</u>	<u>5,392,857</u>
Total Net Position, September 30, 2023	<u>\$ 3,310,757</u>	<u>\$ 2,311,101</u>	<u>\$ 5,621,858</u>

**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2023**

	Water & Sewer Accounts	Roads & Bridges Accounts	Total Enterprise Funds
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 1,074,030	\$ 110,699	\$ 1,184,729
Cash Paid to Suppliers	(353,002)	(25,446)	(378,448)
Cash Paid to Employees	(169,615)	-	(169,615)
Net Cash Provided by Operating Activities	<u>551,413</u>	<u>85,253</u>	<u>636,666</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Operating Transfer In/(Out)	-	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Flows from Capital Financing Activities:</b>			
Principal paid on Revenue Notes & Notes Payable	(289,516)	-	(289,516)
Interest Paid on Revenue Notes & Notes Payable	(94,788)	-	(94,788)
Disposal of Capital Assets	-	-	-
Acquisition & Construction of Capital Assets	(305,518)	-	(305,518)
Net Cash Used by Capital Financing Activities	<u>(689,822)</u>	<u>-</u>	<u>(689,822)</u>
<b>Cash Flows from Investing Activities</b>			
Receipt of Interest	14,958	10,692	25,650
Net Cash Provided by Investing Activities	<u>14,958</u>	<u>10,692</u>	<u>24,814</u>
Net Change in Cash	(123,451)	95,945	(27,506)
Cash and Cash Equivalents, September 30, 2022	<u>1,794,722</u>	<u>1,135,228</u>	<u>2,929,950</u>
Cash and Cash Equivalents, September 30, 2023	<u>\$ 1,671,271</u>	<u>\$ 1,231,173</u>	<u>\$ 2,902,444</u>
<b>Reconciliation of Operating Income to Net Cash Flows</b>			
<b>From Operating Activities:</b>			
Operating Income (Loss)	\$ 238,954	\$ 28,172	\$ 267,126
Depreciation Expense	302,363	57,092	359,455
(Increase) Decrease in Accounts Receivable	(67,314)	-	(67,314)
Increase (Decrease) in Accounts Payable and Accrued Expenses	95,483	(11)	95,472
(Increase) Decrease in Inventory and Prepays	(11,392)	-	(11,392)
(Increase) Decrease in Net Pension Asset	7,716	-	7,716
(Increase) Decrease in Deferred Outflows	(7,823)	-	(7,823)
Increase (Decrease) in Deferred Inflows	(6,574)	-	(6,574)
Net Cash Flows from Operating Activities	<u>\$ 551,413</u>	<u>\$ 85,253</u>	<u>\$ 636,666</u>



**Emerald Bay Municipal Utility District**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2023**

**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 ending 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, includes 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  
For the Year Ended September 30, 2023**

**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 the 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  
For the Year Ended September 30, 2023**

**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 an accrual basis when the exchange takes place and is 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**  
**For the Year Ended September 30, 2023**

**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, 2023, 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 ending September 30, 2023.

Service charges and fees for road maintenance billed but uncollected as of September 30, 2023, 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 replacements. 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 or capitalized when put into use.

**Emerald Bay Municipal Utility District  
Notes to Financial Statements  
For the Year Ended September 30, 2023**

**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  
For the Year Ended September 30, 2023**

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

**15. Leases**

In June 2017, the GASB issued Statement No. 87, Leases, which will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This statement is effective for reporting periods beginning after June 15, 2021. The District adopted the provision of GASB 87 in the prior year but the implementation resulted in no change to the 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, 2023, 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 the 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.

**Emerald Bay Municipal Utility District**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2023**

All temporary investments are certificates of deposit, reported at value at statement date, and are secured when necessary by the FDIC. The District does not currently hold any temporary investments.

**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 ending September 30, 2023.

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.

**NOTE 5 – Capital Assets**

Capital asset activity for the fiscal year ended September 30, 2023, was as follows:

	Balance 9/30/22	Additions	Deletions	Balance 9/30/23
Capital Assets not Being Depreciated:				
Land & Easements	\$ 174,654	\$ 7,117	\$ -	\$ 181,771
Construction-in-Progress	-	142,725	-	142,725
Total Capital Asset not Being Depreciated	<u>174,654</u>	<u>149,842</u>	<u>-</u>	<u>324,496</u>
Capital Assets Being Depreciated:				
Water System	4,958,502	189,010	-	5,147,512
Sewer System	4,857,731	8,369	-	4,866,100
Other Equipment	213,496	1,589	-	215,085
Roads & Bridges Capital Assets	1,427,303	-	-	1,427,303
Total Capital Assets Being Depreciated	<u>11,457,032</u>	<u>198,968</u>	<u>-</u>	<u>11,656,000</u>
Less Accumulated Depreciation	<u>(6,261,285)</u>	<u>(359,455)</u>	<u>-</u>	<u>(6,620,740)</u>
Net Capital Assets	<u>\$ 5,370,401</u>	<u>\$ (10,645)</u>	<u>\$ -</u>	<u>\$ 5,359,756</u>

**Emerald Bay Municipal Utility District  
Notes to Financial Statements  
For the Year Ended September 30, 2023**

**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.

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, 2023, all revenue notes, was as follows:

	Interest Rate	Maturity Date	Original Amount	Amount Outstanding
Southside Bank, Series 2014	3.50%	2034	3,900,000	\$ 2,481,610
Southside Bank, Series 2015	2.55%	2026	1,080,000	297,340
				<u>\$ 2,778,950</u>

The following is a summary of the long-term debt transactions for the year ended September 30, 2023:

	Balance 9/30/22	Additions	Reductions	Balance 9/30/23
Southside Bank, Series 2014	\$ 2,663,422	\$ -	\$ 181,812	\$ 2,481,610
Southside Bank, Series 2015	405,044	-	107,704	297,340
	<u>\$ 3,068,466</u>	<u>\$ -</u>	<u>\$ 289,516</u>	<u>\$ 2,778,950</u>

Interest paid for the District's long-term debt was \$94,788 for the year ended September 30, 2023.



**Emerald Bay Municipal Utility District  
Notes to Financial Statements  
For the Year Ended September 30, 2023**

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

The following is a summary of the maturities of revenue notes at September 30, 2023:

Year End September 30,	Southside Bank Series 2014		Southside Bank Series 2015		Grand Totals		
	Principal	Interest	Principal	Interest	Principal	Interest	Total Requirements
2024	188,279	83,855	110,024	6,088	298,303	89,943	388,247
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	216,528	55,606	-	-	216,528	55,606	272,134
2029-2034	1,470,828	161,973	-	-	1,470,828	161,973	1,632,801
Total	<u>\$ 2,481,610</u>	<u>\$ 511,858</u>	<u>\$ 297,340</u>	<u>\$ 12,292</u>	<u>\$ 2,778,950</u>	<u>\$ 524,150</u>	<u>\$ 3,303,100</u>

**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, and 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 651 customers who pay a base sewer rate each month of \$48.87 for residential customers and \$61.81 for commercial customers. There are approximately 611 customers who pay a base water rate of \$72.33 per month for residential customers and \$73.64 for commercial customers, plus an additional amount for water usage over a 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. TCERS was created in 1967 as a not-for-profit organization by the Texas Legislature. TCERS receives no funding from the State of Texas, nor does it charge fees to member employers or their employees. The intent of TCERS is to provide retirement funds for member's employees through sound investment policies monitored to ensure adequate return and safety of the investments.

**Emerald Bay Municipal Utility District  
Notes to Financial Statements  
For the Year Ended September 30, 2023**

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

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. 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 1.30%. The employer rate is reviewed annually and may change.

Employees covered

At the December 31, 2022 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	9
Active employees	2
	11

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, 2023, the average active employee contribution rate was 4.0 percent of annual pay, and the District’s contribution rate was 1.30 percent. The district’s contributions to TCDRS for the year ended September 30, 2023, were \$1,916 and were equal to the required contributions.

**Emerald Bay Municipal Utility District**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2023**

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

Net Pension Liability/(Asset)

The District's net pension liability/(asset) was measured on December 31, 2022, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial calculation at that date.

Actuarial assumptions

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	4.70% over career including inflation
Investment rate of return	7.50% net of administrative and investment expenses, 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.

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, 2017 – December 31, 2020, 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 2023 information for a 10 year time horizon.

**Emerald Bay Municipal Utility District**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2023**

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

The valuation assumption for long-term expected return is re-assessed 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%	4.95%
Global Equities	2.50%	4.95%
International Equities - Developed Mkts	5.00%	4.95%
International Equities - Emerging Mkts	6.00%	4.95%
Investment Grade Bonds	3.00%	2.40%
Strategic Credit	9.00%	3.39%
Direct Lending	16.00%	6.95%
Distressed Debt	4.00%	7.60%
REIT Equities	2.00%	4.15%
Master Limited Partnerships (MLPs)	2.00%	5.30%
Private Real Estate Partnerships	6.00%	5.70%
Private Equity	25.00%	7.95%
Hedge Funds	6.00%	2.90%
Cash Equivalents	2.00%	0.20%
Total	100.00%	

**Emerald Bay Municipal Utility District  
Notes to Financial Statements  
For the Year Ended September 30, 2023**

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

Changes in the Net Pension Liability/ (Asset)

	Increase / (Decrease)		
	Total	Plan	
	Pension	Fiduciary Net	Net Pension
	Liability	Position	Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2021	\$ 25,971	\$ 80,436	\$ (54,465)
Changes for the year:			
Service cost	10,350	-	10,350
Interest on total pension liability	2,723	-	2,723
Effect of plan changes	-	-	-
Effect of economic/demographic gains or los	(1,865)	-	(1,865)
Effect of assumptions changes or inputs	-	-	-
Refund of Contributions	(1,003)	(1,003)	-
Contributions - employer	-	1,916	(1,916)
Contributions - employee	-	5,895	(5,895)
Net investment income	-	(5,296)	5,296
Benefit payments	-	-	-
Administrative expenses	-	(49)	49
Other changes	-	1,026	(1,026)
Net changes	<u>\$ 10,205</u>	<u>\$ 2,489</u>	<u>\$ 7,716</u>
<b>Balance at 12/31/2022</b>	<u><u>\$ 36,176</u></u>	<u><u>\$ 82,924</u></u>	<u><u>\$ (46,749)</u></u>

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 7.60%, as well as what the District's net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate:

	Discount Rate (6.6%)	Discount Rate (7.6%)	Discount Rate (8.6%)
District's Net Pension Liability	\$ (42,730)	\$ (46,749)	\$ (50,121)

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**  
**For the Year Ended September 30, 2023**

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

Net Pension Liability/(Asset)

The District’s net pension liability/ (asset) was measured December 31, 2022, and the total pension liability used to calculate the net pension liability/ (asset) was determined by an actuarial valuation as of that date.

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

As of December 31, 2022, the deferred inflows and outflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 778	\$ 18,324
Changes in actuarial assumptions	800	415
Difference between projected and actual investment earnings	9,670	7,773
Contributions subsequent to the measurement date	736	-
Total	<u>\$ 11,984</u>	<u>\$ 26,512</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended Dec 31:	
2023	\$ (4,805)
2024	(2,311)
2025	(2,010)
2026	221
2027	2,118
Thereafter	(4,240)
Total	<u>\$ (11,027)</u>

**Emerald Bay Municipal Utility District**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2023**

**NOTE 10 – Other Post-Employment 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 post-employment benefit other than pension benefits (OPEB). Retired employees are insured for \$5,000.

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.

**NOTE 11 – Subsequent Events:**

The District has evaluated subsequent events through January 15, 2024, the date that the financial statements were available to be issued and found that there were no events that were required to be disclosed.

## **Required Supplemental Information**



**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
BUDGET COMPARISON SCHEDULE  
REQUIRED SUPPLEMENTARY INFORMATION  
PROPRIETARY FUND  
September 30, 2023**

	Original Budget	Amendments	Amended Budget	Actual	Variance
<b>Revenues</b>					
Charges for Services	\$ 980,666	\$ 56,438	\$ 1,037,104	\$ 1,137,016	\$ 99,912
Initiation Fees	88,000	(12,000)	76,000	46,000	(30,000)
Other Revenues	49,833	205	50,038	31,522	(18,516)
Total Revenues	<u>1,118,499</u>	<u>44,643</u>	<u>1,163,142</u>	<u>1,214,538</u>	<u>51,396</u>
<b>Expenses</b>					
Accounting Audit & Legal Fees	14,970	15,571	30,541	28,429	(2,112)
Engineering & Consulting	12,830	(5,003)	7,827	5,737	(2,090)
Insurance	17,081	13,205	30,286	16,728	(13,558)
Licenses & Assessments	2,860	(152)	2,708	4,605	1,897
Miscellaneous	23,310	(11,258)	12,052	5,071	(6,981)
Office & Collections	45,625	5,770	51,395	45,983	(5,412)
Payroll	144,216	88,257	232,473	164,086	(68,387)
Temp Service Employees	-	7,809	7,809	72,507	64,698
Plant Operating	22,338	21,585	43,923	37,384	(6,539)
Repairs & Maintenance	66,702	138,391	205,093	104,945	(100,148)
Utilities	88,300	31,730	120,030	102,482	(17,548)
Depreciation	397,126	-	397,126	359,455	(37,671)
Total Expenses	<u>835,358</u>	<u>305,905</u>	<u>1,141,263</u>	<u>947,412</u>	<u>193,851</u>
Revenues in Excess of or (Deficient) of Expenses	283,141	(261,262)	21,879	267,126	245,247
<b>Other Revenues (Expenses)</b>					
Interest Income	20,730	(6,947)	13,783	25,650	11,867
Miscellaneous Income	630	5,274	5,904	37,010	31,106
Interest Expense	(116,970)	223,011	106,041	(94,788)	(200,829)
Miscellaneous Expense	-	-	-	(5,997)	(5,997)
Net Other Revenue (Expense)	<u>(95,610)</u>	<u>221,338</u>	<u>125,728</u>	<u>(38,125)</u>	<u>(163,853)</u>
Change in Net Position	187,531	(39,924)	147,607	229,001	81,394
Beginning Net Position	<u>5,392,857</u>	<u>-</u>	<u>5,392,857</u>	<u>5,392,857</u>	<u>-</u>
Ending Net Position	<u>\$ 5,580,388</u>	<u>\$ (39,924)</u>	<u>\$ 5,540,464</u>	<u>\$ 5,621,858</u>	<u>\$ 81,394</u>

**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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
<b>Total Pension Liability</b>										
Service Cost	\$ 10,350	\$ 6,204	\$ 7,681	\$ 7,332	\$ 12,608	\$ 7,521	\$ 10,959	\$ 8,883	\$ 7,271	
Interest on total pension liability	2,723	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	(1,865)	(18,577)	(5,102)	(160)	(7,030)	2,227	(4,335)	(6,867)	79	
Benefit payments/refunds of contributions	(1,003)	(17,008)	(5,370)	-	-	(1,962)	(7,856)	-	(1,273)	
<b>Net Change in Total Pension Liability</b>	<u>10,205</u>	<u>(26,119)</u>	<u>4,633</u>	<u>10,740</u>	<u>8,856</u>	<u>9,806</u>	<u>327</u>	<u>3,191</u>	<u>6,931</u>	
<b>Total Pension Liability - Beginning</b>	<u>25,971</u>	<u>52,090</u>	<u>47,457</u>	<u>36,717</u>	<u>27,861</u>	<u>18,055</u>	<u>17,728</u>	<u>14,537</u>	<u>7,606</u>	
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 36,176</u>	<u>\$ 25,971</u>	<u>\$ 52,090</u>	<u>\$ 47,457</u>	<u>\$ 36,717</u>	<u>\$ 27,861</u>	<u>\$ 18,055</u>	<u>\$ 17,728</u>	<u>\$ 14,537</u>	
<b>Plan Fiduciary Net Position</b>										
Employer contributions	\$ 1,916	\$ 1,669	\$ 1,591	\$ 2,376	\$ 2,507	\$ 3,082	\$ 4,089	\$ 4,402	\$ 3,901	
Member contributions	5,895	4,734	4,643	4,704	6,513	6,226	5,820	5,828	5,219	
Investment income net of investment expenses	(5,296)	15,455	7,031	8,564	(713)	4,719	2,014	(166)	521	
Benefit payments/refunds of contributions	(1,003)	(17,008)	(5,370)	-	-	(1,962)	(7,856)	-	(1,273)	
Administrative expenses	(49)	(44)	(56)	(52)	(41)	(29)	(22)	(16)	(10)	
Other	1,026	(280)	32	252	273	99	1,014	(2)	(1)	
<b>Net Change in Plan Fiduciary Net Position</b>	<u>2,489</u>	<u>4,526</u>	<u>7,871</u>	<u>15,844</u>	<u>8,539</u>	<u>12,135</u>	<u>5,059</u>	<u>10,046</u>	<u>8,357</u>	
<b>Plan Fiduciary Net Position - Beginning</b>	<u>80,436</u>	<u>75,910</u>	<u>68,039</u>	<u>52,195</u>	<u>43,657</u>	<u>31,522</u>	<u>26,463</u>	<u>16,417</u>	<u>8,059</u>	
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 82,925</u>	<u>\$ 80,436</u>	<u>\$ 75,910</u>	<u>\$ 68,039</u>	<u>\$ 52,196</u>	<u>\$ 43,657</u>	<u>\$ 31,522</u>	<u>\$ 26,463</u>	<u>\$ 16,416</u>	
<b>Net position liability/(assets), ending = (a)-(b)</b>	\$ (46,749)	\$ (54,465)	\$ (23,820)	\$ (20,582)	\$ (15,479)	\$ (15,796)	\$ (13,467)	\$ (8,735)	\$ (1,879)	
<b>Plan Fiduciary net position as a Percentage of Total Pension Liability</b>	229.23%	309.71%	145.73%	143.37%	142.15%	156.70%	174.59%	149.27%	112.93%	
<b>Covered Employee Payroll</b>	\$ 147,366	\$ 118,359	\$ 116,071	\$ 117,612	\$ 162,794	\$ 155,661	\$ 145,505	\$ 145,710	\$ 130,486	
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	-31.72%	-46.02%	-20.52%	-17.50%	-9.51%	-10.15%	-9.26%	-5.99%	-1.44%	

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution Contributions in relation to the actuarially determined contribution	\$ 1,916 (1,916)	\$ 2,058 (2,058)	\$ 1,669 1,669	\$ 1,590 1,590	\$ 2,376 2,376	\$ 2,507 2,507	\$ 3,082 3,082	\$ 4,089 4,089	\$ 4,400 4,402
Contribution deficiency (excess)	\$ -	\$ -	\$ 3,338	\$ 3,180	\$ 4,752	\$ 5,014	\$ 6,164	\$ 8,178	\$ 8,802
Covered Employee Payroll	\$ 147,366	\$ 151,063	\$ 118,539	\$ 116,071	\$ 117,612	\$ 162,794	\$ 155,661	\$ 145,505	\$ 145,707
Contributions as a percentage of Covered Employee Payroll	1.30%	1.36%	-1.41%	-1.37%	-2.02%	-1.54%	-1.98%	-2.81%	-3.02%

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**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.

## **Supplementary Information**

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF SERVICES AND RATES  
September 30, 2023**

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)

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons Over Minimum Use
Water	\$ 72.33	2,000	N	\$ 3.25
Wastewater				
Residential	\$ 48.87	N/A	Y	N/A
Commercial	\$ 61.81	N/A	Y	N/A

District employs winter averaging for wastewater usage: NO

Total Charges per 10,000 gallons usage:	Water:	\$ 104.32
	Wastewater:	
	Residential	\$ 48.87
	Commercial	\$ 61.81

b. Water and Wastewater Retail Connections

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered	-	-	1.0	-
5/8-3/4"	587	587	1.0	587.0
1"	22	22	2.5	55.0
1.5"	2	2	5.0	10.0
2"	-	-	8.0	-
Total Water	611	611		652.0
Total Wastewater	651	651	1.0	651.0

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

Gallons pumped into the system	77,257,886
Gallons billed to customers	69,342,576
Water Accountability Ratio	0.89754

**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**SCHEDULE OF PROPRIETARY FUND EXPENDITURES**  
**September 30, 2023**

Personnel Expenditures (Including Benefits)	164,086
Temporary Employment Services	72,507
Professional Fees:	
Accounting	15,204
Legal	13,225
Engineering	5,737
Contracted Services:	
Testing	5,583
Utilities	102,482
Repairs and Maintenance	104,945
Administrative Expenditures	
Office	45,983
Insurance	16,728
Licenses	4,605
Interest	94,788
Other Administrative Expenses	11,563
Other Expenses	
Plant Operating	4,211
Chlorine Supplies	14,754
Sludge Handling	12,836
	<hr/>
Total Expenditures	<u><u>\$ 689,237</u></u>
Number of Employees	
Full Time	4
Part Time	0

**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS**  
**September 30, 2023**

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
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>\$2,481,610</u>	<u>\$511,858</u>	<u>\$2,993,468</u>	<u>\$297,340</u>	<u>\$12,292</u>	<u>\$309,632</u>	<u>\$2,778,950</u>	<u>\$524,150</u>	<u>\$3,303,100</u>



**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**ANALYSIS OF CHANGES IN LONG-TERM DEBT (Revenue Notes)**  
**September 30, 2023**

	Southside Bank Series 2010B	Southside BankSeries 2014	Southside BankSeries 2015	Southside BankSeries 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	\$ -	\$ 2,663,422	\$ 405,044	\$ -	\$ 3,068,466
Notes Incurred During Current Year	-	-	-	-	\$ -
Retirements During Current Year	-	181,812	107,704	-	\$ 289,516
Balances Outstanding at End of Year	<u>\$ -</u>	<u>\$ 2,481,610</u>	<u>\$ 297,340</u>	<u>\$ -</u>	<u>\$ 2,778,950</u>
Interest Paid During Year	\$ -	\$ 90,321	\$8,408	\$ -	\$ 98,729
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, 2023					<u>\$ -</u>
Average Annual Debt Service Requirements for Remaining Term of all Revenue Notes					<u>\$ 307,612</u>

**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES & EXPENSES**  
**September 30, 2023**  
**(UNAUDITED)**

Fiscal Year Ended September 30,	2023	2022	2021	2020	2019	2018	2017	2023	2022	2021	2020	2019	2018	2017
<b>Operating Revenues</b>											Percentages			
Water/Sewer Charges	\$ 1,078,694	\$ 987,990	\$ 937,562	\$ 950,529	\$ 918,640	\$ 954,012	\$ 931,702	88.82	83.73	80.89	66.30	66.04	71.71	85.96
Road/Bridge Charges	58,322	58,376	58,258	351,453	352,614	248,822	47,084	4.80	4.95	5.03	24.51	25.35	18.70	4.38
Connection and Other Fees	77,522	133,538	163,266	131,798	119,874	127,501	84,046	6.38	11.32	14.09	9.19	8.62	9.58	9.66
Total Operating Revenues	1,214,538	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	100.00
<b>Operating Expenses</b>														
Utilities	102,482	105,968	108,482	98,780	110,381	106,768	119,553	10.82	8.98	9.36	6.89	7.93	8.03	11.61
Plant Operations	37,384	35,239	25,470	18,172	19,217	23,004	24,514	3.95	8.75	2.20	1.27	1.38	1.73	3.13
Payroll	236,593	86,456	158,593	160,428	160,092	210,722	177,171	24.97	7.33	13.68	11.19	11.51	15.84	17.76
Insurance	16,728	11,850	16,512	19,321	18,745	20,019	17,510	1.77	1.00	1.42	1.35	1.35	1.50	0.83
Licenses and Assessments	4,605	2,708	2,819	2,712	3,111	3,123	3,733	0.49	0.23	0.24	0.19	0.22	0.23	0.92
Repair and Maintenance	104,945	106,154	84,584	52,662	55,072	38,165	55,320	11.08	9.00	7.30	3.67	3.96	2.87	5.18
Roads Administration	2,000	-	-	13,205	-	-	-	0.21	-	-	0.92	-	-	-
Miscellaneous	3,071	24,446	21,502	29,793	24,853	17,744	23,281	0.32	2.07	1.86	2.08	1.79	1.33	1.44
Office	45,983	133,075	50,470	16,278	10,210	16,415	28,840	4.85	11.28	4.35	1.14	0.73	1.23	2.26
Accounting, Audit, and Legal	34,166	28,174	16,296	10,852	32,820	55,521	34,376	3.61	2.39	1.41	0.76	2.36	4.17	4.99
Depreciation	359,455	349,618	389,188	397,845	346,668	329,309	329,180	37.94	29.63	33.58	27.75	24.92	24.75	25.58
Total Operating Expenses	947,412	883,688	873,916	820,048	781,169	820,790	813,478	100.00	80.66	75.40	57.21	56.15	61.68	73.70
Operating Revenues Less Expenses	267,126	296,216	285,170	613,732	609,959	509,545	249,354	-	19.34	24.60	42.79	43.85	38.32	26.30
<b>Other Revenue / Expenses</b>														
Interest Income	25,650	15,350	20,650	24,647	17,715	12,602	7,032	2.11	1.30	1.78	1.72	1.27	0.95	0.79
Miscellaneous Revenue	37,010	11,268	25,983	44,226	1,998	988	6,080	3.05	0.95	2.24	3.08	0.14	0.07	8.95
Interest Expense	(94,788)	(106,041)	(115,087)	(126,912)	(132,855)	(137,576)	(155,538)	(7.80)	(8.99)	(9.93)	(8.85)	(9.55)	(10.34)	(3.37)
Other Expense	(5,997)	(5,190)	(1,315)	(23,621)	-	(23,360)	(1,590)	(0.49)	(0.44)	(0.11)	(1.65)	-	(1.76)	(1.06)
Total Other Revenues / Expenses	(38,125)	(84,613)	(69,769)	(81,660)	(113,142)	(147,346)	(144,016)	(3.14)	(7.18)	(6.02)	(5.70)	(8.14)	(11.08)	5.31
Net Revenues Less Expenses	\$ 229,001	\$ 211,603	\$ 215,401	\$ 532,072	\$ 496,817	\$ 362,199	\$ 105,338	(3.14)	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, 2023**

District Mailing Address: 155 La Salle Drive, Bullard, Texas 75757  
 District Business Telephone Number: 903-825-6960

Name and Address	Term of Office	Expense Reimbursement	Title	Resident
<b>Board Members:</b>				
William F. Harris	(Elected) May 2020 - May 2024	\$ 9,397	President	Yes
Cayla Washburn	(Elected) November 2022 - May 2026	\$ -	Treasurer	Yes
Inge Grant	(Appointed) February 2022 - May 2024	\$ -	Vice President	Yes
Dwight Cole	(Elected) May 2022 - May 2026	\$ -	Vice President	Yes
Becky Kilpatrick	(Elected) May 2020 - May 2024	\$ -	Secretary	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	\$ 5,903
Patrick Law Offices PO Box 938 Lindale, Texas 75771	\$ 5,628
Acker & Company, CPA's 1614 West Grande Blvd Tyler, Texas 75703	\$ 15,205
Mathews & Freeland LLC West Park Suite 240 8140 N Mopac Exressway Austin, TX 78759-8884	\$ 7,271

\*\*\* Fees of office are the amounts actually paid to the director during the District's fiscal year

## **Other Reports**

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

***Independent Auditors' Report***

To the Board of Directors of  
Emerald Bay Municipal Utility District

We have audited, 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, the financial statements of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Emerald Bay Municipal Utility District as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise Emerald Bay Municipal Utility District's basic financial statements, and have issued our report thereon dated January 15, 2024.

***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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 Emerald Bay Municipal Utility 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.

***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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Gollob Morgan Peddy PC*

Certified Public Accountants

Tyler, Texas  
January 15, 2024