

**Emerald Bay Municipal Utility District**

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

**For the Year Ended September 30, 2024**

**Gollob Morgan Peddy PC**  
CERTIFIED PUBLIC ACCOUNTANTS

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**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**Table of Contents**  
**September 30, 2024**

	<u>Page</u>
<b>Annual Filing Affidavit</b>	
<b>Independent Auditor's Report</b>	1-3
<b>Management Discussion and Analysis</b>	4-9
<b>Basic Financial Statements:</b>	
Statement of Net Position - Proprietary Fund	11-12
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	13
Statement of Cash Flows - Proprietary Fund	14
Notes to Financial Statements	15-29
<b>Required Supplementary Information</b>	
Budget Comparison	31
Schedule of Changes in Net Pension Liability/ (Asset) and Related Ratios	32
Schedule of Employer Contributions	33
Notes to Schedule of Employer Contributions	34
<b>Supplementary Information</b>	
TSI-1 Schedule of Services and Rates	36
TSI-2 Schedule of Proprietary Fund Expenditures	37
TSI-3 Schedule of Temporary Investments (omitted – not applicable)	
TSI-4 Schedule of Taxes Levied and Receivable (omitted – not applicable)	
TSI-5 Schedule of Long-Term Debt Service Requirements	38
TSI-6 Analysis of Changes in Revenue Notes	39
TSI-7 Comparative Schedule of Revenues and Expenses-Proprietary Fund (Unaudited)	40
TSI-8 Board Members, Key Personnel and Consultants	41
<b>Other Reports</b>	
Independent Auditor's 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	43-44

**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 7<sup>th</sup> day of February, 2025 its annual audit report for the fiscal period ended September 30, 2024 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: FEB 7<sup>th</sup>, 2025 By: W. F. Harris  
(Signature of District Representative)

William Harris, President

Sworn to and subscribed to before me this 7<sup>th</sup> day of February, 2025



Laurie Threet  
(Signature of Notary)

My Commission Expires On: October 01, 2028  
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, 2024, 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 of Emerald Bay Municipal Utility District, as of September 30, 2024 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 30 and the schedule of changes in net pension liability and related ratios, and the schedule of contributions, on pages 31-33, 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-7 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-8 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 22, 2025, 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 22, 2025

**Emerald Bay Municipal Utility District  
Management's Discussion and Analysis  
September 30, 2024**

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Emerald Bay Municipal Utility District's (the District's) basic financial statements. The financial statements are prepared using Governmental Accounting Statements No. 34 *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report contains supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission). This report also includes other supplementary information in addition to the basic financial statements.

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, other nonfinancial factors must also be considered.

The *statement of activities* presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, all of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and service revenue (governmental activities). The governmental activities of the District include water, sewer and sanitation revenues and debt service.

The fund financial statements are presented using fund designations. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Fund Financial Statements**

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

**Governmental Funds**

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances that are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

**Emerald Bay Municipal Utility District  
Management's Discussion and Analysis  
September 30, 2024**

**Governmental Funds (continued)**

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as water and sewer distribution system. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to the financial statements that describes the adjustments to fund balances to arrive at net position presented in the statement of net position. Also, there is an analysis in the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the statement of activities.

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

**Financial Analysis of the District as a Whole**

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.



**Emerald Bay Municipal Utility District  
Management's Discussion and Analysis  
September 30, 2024**

**Summary of Net Position**

	<b>September 30, 2024</b>	<b>September 30, 2023</b>
Current and other assets	\$ 1,328,983	\$ 1,409,257
Restricted cash	1,924,264	1,767,273
Capital assets, net of accumulated depreciation	5,221,508	5,359,756
Total assets	8,474,755	8,536,286
Deferred outflows of resources	1,593	11,984
Total deferred outflows of resources	1,593	11,984
Current liabilities	330,630	419,253
Other liabilities	2,173,283	2,480,647
Total liabilities	2,503,913	2,899,900
Deferred inflows of resources	13,674	26,512
Total deferred inflows of resources	13,674	26,512
Net position:		
Net investment in capital assets	2,740,627	2,580,806
Restricted	1,924,264	1,767,273
Unrestricted	1,293,870	1,273,779
Total net position	\$ 5,958,761	\$ 5,621,858

The total net position of the District increased by \$336,903 during the current year which was a \$107,902 increase from the prior year. The majority of the increase came from new construction within the District which increased the collection of initiation fees, permits, and other operating revenues. The District also implemented assessments to its customers in the current year in the amount of \$142,687.

**Emerald Bay Municipal Utility District  
Management's Discussion and Analysis  
September 30, 2024**

**Summary of Changes in Net Position**

	<u>2024</u>	<u>2023</u>
Revenues:		
Income	\$ 1,244,891	\$ 1,151,158
Capital Assessments	56,000	46,000
Interest Income	27,818	25,650
Miscellaneous Revenue	198,350	54,885
	<u>1,527,059</u>	<u>1,277,693</u>
Expenses:	<u>2024</u>	<u>2023</u>
Services	700,403	594,449
Interest & fees on long-term debt	107,659	94,788
Depreciation	382,094	359,455
	<u>1,190,156</u>	<u>1,048,692</u>
Change in net position	336,903	229,001
Net position, beginning of year	<u>5,621,858</u>	<u>5,392,857</u>
Net position, end of year	<u>\$ 5,958,761</u>	<u>\$ 5,621,858</u>

During the current year, the District saw an increase in its total revenue of \$249,366 primarily due to District growth and assessments made to its customers.

Total expenses increased by \$141,464 primarily due to a major repair to one of the District water wells. Other factors included repairs to District property after a tornado damaged its wastewater facility and the chlorine buildings at two of its well sites. Despite this increase in expenses, the District still saw an increase in net position as compared to the prior year.

**Financial Analysis of the District's Funds**

The District's combined fund balances as of September 30, 2024, amounted to \$5,958,761, an increase of \$336,093 from the prior year.

**General Fund Budgetary Highlights**

During the year, the District realized \$1,527,059 in revenues for its General Fund which exceeded its final budget by \$105,991. The biggest portion of this favorable variance comes from an increase in Capital Assessments. The actual expenses amounted to \$1,190,156, which was \$203,082 under the final budget of \$1,393,238. This favorable variance is primarily a result of plant operating costs being under budgeted amounts.

**Emerald Bay Municipal Utility District  
Management's Discussion and Analysis  
September 30, 2024**

**Capital Assets and Related Debt**

**Capital Assets**

Capital assets held by the District at the end of the current and previous fiscal years are summarized below:

**Capital Assets (Net of Accumulated Depreciation)**

	2024	2023
Land	\$ 181,771	\$ 181,771
Water System	5,274,434	5,147,512
Sewer System	4,793,028	4,866,100
Other Equipment	447,167	215,085
Roads & Bridges Capital Assets	1,427,303	1,427,303
Construction in Progress	100,639	142,725
	12,224,342	11,656,000
Less: Accumulated Depreciation	(7,002,834)	(6,620,740)
Total capital assets	\$ 5,221,508	\$ 5,359,756

During the current year, the District's net capital assets decreased by \$138,248, which was a direct result of a major project being capitalized, decreasing CIP, and increasing current year depreciation.

**Debt**

The changes in the debt position of the District during the fiscal year ended September 30, 2024, are summarized as follows:

	2024	2023
Note Payable	2,480,881	2,778,950
Total Debt	\$ 2,480,881	\$ 2,778,950

**Emerald Bay Municipal Utility District  
Management's Discussion and Analysis  
September 30, 2024**

During the current year, the District paid \$298,068 in principal towards its notes payable with Southside Bank.

**Economic Factors and Outlook for 2024**

The board continues to be conservative in its budgeting due to the need for two ground storage tanks. Construction is set to begin in 2025. The FY 2025 budget that the District is currently operating under does not call for an increase in fund balances.

**Request for Information**

This financial report is designed to provide our customers with a general overview of the District's finances. If you have any questions about this report or need any additional information, please contact Emerald Bay Municipal Utility District, Attn: Lorraine Threet, at 155 La Salle Rd., Bullard, Texas 75757, or call the office at (903) 825-6960 or by e-mail at [mudbizmgr@emeraldbay-tx.gov](mailto:mudbizmgr@emeraldbay-tx.gov)

## **Basic Financial Statements**

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
SEPTEMBER 30, 2024**

	Water & Sewer Accounts	Roads & Bridges Accounts	Total Enterprise Funds
<b>ASSETS</b>			
Current Asset:			
Cash and Cash Equivalents	\$ 1,562,113	\$ 1,382,592	\$ 2,944,705
Receivables - Service Charges	215,699	-	215,699
Inventory & Prepaids	41,114	-	41,114
Total Current Assets	1,818,926	1,382,592	3,201,518
Noncurrent Assets:			
Net Pension Asset	51,729	-	51,729
Capital Assets			
Land, Land Improvements & Easements	181,771	-	181,771
Sewer System	4,793,028	-	4,793,028
Water Distribution System	5,274,434	-	5,274,434
Other Equipment	447,167	-	447,167
Construction in Progress	100,639	-	100,639
Roads & Bridge	-	1,427,303	1,427,303
Less: Accumulated Depreciation	(6,598,367)	(404,467)	(7,002,834)
Total Capital Assets	4,198,672	1,022,836	5,221,508
Total Noncurrent Assets	4,250,401	1,022,836	5,273,237
<b>TOTAL ASSETS</b>	<b>\$ 6,069,327</b>	<b>\$ 2,405,428</b>	<b>\$ 8,474,755</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows on Pensions	1,593	-	1,593
Total Deferred Outflows of Resources	\$ 1,593	\$ -	\$ 1,593

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
SEPTEMBER 30, 2024**

	Water & Sewer Accounts	Roads & Bridges Accounts	Total Enterprise Funds
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$ 21	\$ -	\$ 21
Accrued Expenses	23,011	-	23,011
Revenue Notes Payable - Current Portion	307,598	-	307,598
<b>Total Current Liabilities</b>	<b>330,630</b>	<b>-</b>	<b>330,630</b>
Noncurrent Liabilities:			
Revenue Notes Payable - Noncurrent Portion	2,173,283	-	2,173,283
<b>Total Noncurrent Liabilities</b>	<b>2,173,283</b>	<b>-</b>	<b>2,173,283</b>
<b>Total Liabilities</b>	<b>2,503,913</b>	<b>-</b>	<b>2,503,913</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows on Pensions	13,674	-	13,674
<b>Total Deferred Outflows of Resources</b>	<b>13,674</b>	<b>-</b>	<b>13,674</b>
<b>NET POSITION</b>			
Invested in Capital Assets Net of Related Debt	1,717,791	1,022,836	2,740,627
Restricted For Capital Improvements	541,672	-	541,672
Restricted for Roads & Bridges	-	1,382,592	1,382,592
Unrestricted	1,293,870	-	1,293,870
<b>Total Net Position</b>	<b>3,553,333</b>	<b>2,405,428</b>	<b>5,958,761</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 6,070,920</b>	<b>\$ 2,405,428</b>	<b>\$ 8,476,348</b>

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
SEPTEMBER 30, 2024**

	Water & Sewer Accounts	Roads & Bridges Accounts	Total Enterprise Funds
<b>Operating Revenues:</b>			
Service Fees	\$ 1,171,709	\$ 58,274	\$ 1,229,983
Connection & Transfer Fees	14,908	-	14,908
Capital Assessments	-	56,000	56,000
Other Operating Revenues	26,584	29,079	55,663
Total Revenues	<u>1,213,201</u>	<u>143,353</u>	<u>1,356,554</u>
<b>Operating Expenses:</b>			
Administration Expenses	218,272	4,244	222,516
Plant Operating	44,036	-	44,036
Repairs and Maintenance	89,705	545	90,250
Payroll	196,113	-	196,113
Utilities	147,488	-	147,488
Depreciation	325,002	57,092	382,094
Total Operating Expenses	<u>1,020,616</u>	<u>61,881</u>	<u>1,082,497</u>
Operating Income (Loss)	<u>192,585</u>	<u>81,472</u>	<u>274,057</u>
<b>Nonoperating Revenue (Expenses)</b>			
Interest Income	14,963	12,855	27,818
Member assessments - water customers	105,588	-	105,588
Member assessments - sewer customers	37,099	-	37,099
Interest Expense	(107,659)	-	(107,659)
Total Other Revenue (Expense)	<u>49,991</u>	<u>12,855</u>	<u>62,846</u>
Change in Net Position	242,576	94,327	336,903
Total Net Position, October 1, 2023	<u>3,310,757</u>	<u>2,311,101</u>	<u>5,621,858</u>
Total Net Position, September 30, 2024	<u>\$ 3,553,333</u>	<u>\$ 2,405,428</u>	<u>\$ 5,958,761</u>



**EMERALD BAY MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2024**

	Water & Sewer Accounts	Roads & Bridges Accounts	Total Enterprise Funds
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 1,328,526	\$ 143,353	\$ 1,471,879
Cash Paid to Suppliers	(599,533)	(4,789)	(604,322)
Cash Paid to Employees	(193,580)	-	(193,580)
Net Cash Provided by Operating Activities	535,413	138,564	673,977
<b>Cash Flows from Capital Financing Activities:</b>			
Principal paid on Revenue Notes & Notes Payable	(298,069)	-	(298,069)
Interest Paid on Revenue Notes & Notes Payable	(107,659)	-	(107,659)
Acquisition & Construction of Capital Assets	(253,806)	-	(253,806)
Net Cash Used by Capital Financing Activities	(659,534)	-	(659,534)
<b>Cash Flows from Investing Activities</b>			
Receipt of Interest	14,963	12,855	27,818
Net Cash Provided by Investing Activities	14,963	12,855	24,814
Net Change in Cash	(109,158)	151,419	39,257
Cash and Cash Equivalents, September 30, 2023	1,671,271	1,231,173	2,902,444
Cash and Cash Equivalents, September 30, 2024	\$ 1,562,113	\$ 1,382,592	\$ 2,941,701
<b>Reconciliation of Operating Income to Net Cash Flows</b>			
<b>From Operating Activities:</b>			
Operating Income (Loss)	\$ 192,585	\$ 81,472	\$ 274,057
Depreciation Expense	325,002	57,092	382,094
Miscellaneous Income	142,687	-	142,687
(Increase) Decrease in Accounts Receivable	(27,362)	-	(27,362)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(97,918)	-	(97,918)
(Increase) Decrease in Inventory and Prepays	(2,114)	-	(2,114)
(Increase) Decrease in Net Pension Asset	4,980	-	4,980
(Increase) Decrease in Deferred Outflows	10,391	-	10,391
Increase (Decrease) in Deferred Inflows	(12,838)	-	(12,838)
Net Cash Flows from Operating Activities	\$ 535,413	\$ 138,564	\$ 673,977

See accompanying notes to financial statements.

**Emerald Bay Municipal Utility District  
Notes to Financial Statements  
For the Year Ended September 30, 2024**

**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, 2024**

**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, 2024**

**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, 2024**

**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, 2024, 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, 2024.

Service charges and fees for road maintenance billed but uncollected as of September 30, 2024, 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, 2024**

**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, 2024**

**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.

**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.

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.

**Emerald Bay Municipal Utility District**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2024**

**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, 2024.

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, 2024, was as follows:

	Balance 9/30/23	Additions	Deletions	Balance 9/30/24
<b>Capital Assets not Being Depreciated:</b>				
Land & Easements	\$ 181,771	\$ -	\$ -	\$ 181,771
Construction-in-Progress	142,725	95,549	137,635	100,639
<b>Total Capital Asset not Being Depreciated</b>	<u>324,496</u>	<u>95,549</u>	<u>137,635</u>	<u>282,410</u>
<b>Capital Assets Being Depreciated:</b>				
Water System	5,147,512	126,922	-	5,274,434
Sewer System	4,866,100	-	73,072	4,793,028
Other Equipment	215,085	232,082	-	447,167
Roads & Bridges Capital Assets	1,427,303	-	-	1,427,303
<b>Total Capital Assets Being Depreciated</b>	<u>11,656,000</u>	<u>359,004</u>	<u>73,072</u>	<u>11,941,932</u>
<b>Less Accumulated Depreciation</b>	<u>(6,620,740)</u>	<u>(382,094)</u>	<u>-</u>	<u>(7,002,834)</u>
<b>Net Capital Assets</b>	<u>\$ 5,359,756</u>	<u>\$ 72,459</u>	<u>\$ 210,707</u>	<u>\$ 5,221,508</u>



**Emerald Bay Municipal Utility District  
Notes to Financial Statements  
For the Year Ended September 30, 2024**

**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, 2024, all revenue notes, was as follows:

	Interest Rate	Maturity Date	Original Amount	Amount Outstanding
Southside Bank, Series 2014	3.50%	2034	3,900,000	\$ 2,293,332
Southside Bank, Series 2015	2.55%	2026	1,080,000	187,550
				<u>\$ 2,480,882</u>

The following is a summary of the long-term debt transactions for the year ended September 30, 2024:

	Balance 9/30/23	Additions	Reductions	Balance 9/30/24
Southside Bank, Series 2014	\$ 2,481,610	\$ -	\$ 188,278	\$ 2,293,332
Southside Bank, Series 2015	297,340	-	109,790	187,550
	<u>\$ 2,778,950</u>	<u>\$ -</u>	<u>\$ 298,068</u>	<u>\$ 2,480,882</u>

Interest paid for the District's long-term debt was \$92,175 for the year ended September 30, 2024.

**Emerald Bay Municipal Utility District  
Notes to Financial Statements  
For the Year Ended September 30, 2024**

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

The following is a summary of the maturities of revenue notes at September 30, 2024:

Year End September 30,	Southside Bank Series 2014		Southside Bank Series 2015		Grand Totals		Total Requirements
	Principal	Interest	Principal	Interest	Principal	Interest	
2025	194,975	77,160	112,623	3,764	307,598	80,924	388,522
2026	201,910	70,225	74,927	920	276,837	71,145	347,982
2027	209,091	63,044	-	-	209,091	63,044	272,135
2028	216,528	55,607	-	-	216,528	55,607	272,135
2029	224,229	47,906	-	-	224,229	47,906	272,135
2030-2034	1,246,600	114,070	-	-	1,246,600	114,070	1,360,670
Total	<u>\$ 2,293,332</u>	<u>\$ 428,011</u>	<u>\$ 187,550</u>	<u>\$ 4,684</u>	<u>\$ 2,480,882</u>	<u>\$ 432,695</u>	<u>\$ 2,913,577</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 653 customers who pay a base sewer rate each month of \$48.87 for residential customers and \$61.81 for commercial customers. There are approximately 615 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. 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.

**Emerald Bay Municipal Utility District  
Notes to Financial Statements  
For the Year Ended September 30, 2024**

**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, 2023 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	11
Active employees	4
	15

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, 2024, were \$383 and were equal to the required contributions.

**Emerald Bay Municipal Utility District  
Notes to Financial Statements  
For the Year Ended September 30, 2024**

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

Net Pension Liability/(Asset)

The District's net pension liability/(asset) was measured on December 31, 2023, 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, 2023, 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 2022 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 2024 information for a 10 year time horizon.

**Emerald Bay Municipal Utility District  
Notes to Financial Statements  
For the Year Ended September 30, 2024**

**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 2022 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%	4.75%
Global Equities	2.50%	4.75%
International Equities - Developed Mkts	5.00%	4.75%
International Equities - Emerging Mkts	6.00%	4.75%
Investment Grade Bonds	3.00%	2.35%
Strategic Credit	9.00%	3.65%
Direct Lending	16.00%	7.25%
Distressed Debt	4.00%	6.90%
REIT Equities	2.00%	4.10%
Master Limited Partnerships (MLPs)	2.00%	5.20%
Private Real Estate Partnerships	6.00%	5.70%
Private Equity	25.00%	7.75%
Hedge Funds	6.00%	3.25%
Cash Equivalents	2.00%	0.60%
Total	100.00%	

**Emerald Bay Municipal Utility District**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2024**

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

Changes in the Net Pension Liability/ (Asset)

	Increase / (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2022	\$ 36,176	\$ 82,925	\$ (46,749)
Changes for the year:			
Service cost	8,127	-	8,127
Interest on total pension liability	3,269	-	3,269
Effect of plan changes	-	-	-
Effect of economic/demographic gains or los	614	-	614
Effect of assumptions changes or inputs	-	-	-
Refund of Contributions	(2,626)	(2,626)	-
Contributions - employer	-	6,496	(6,496)
Contributions - employee	-	9,163	(9,163)
Net investment income	-	1,100	(1,100)
Benefit payments	-	-	-
Administrative expenses	-	(51)	51
Other changes	-	282	(282)
Net changes	<u>\$ 9,384</u>	<u>\$ 14,364</u>	<u>\$ (4,980)</u>
<b>Balance at 12/31/2023</b>	<u><u>\$ 45,560</u></u>	<u><u>\$ 97,288</u></u>	<u><u>\$ (51,729)</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	\$ (46,509)	\$ (51,729)	\$ (56,114)

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, 2024**

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

Net Pension Liability/(Asset)

The District’s net pension liability/ (asset) was measured December 31, 2023, 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, 2023, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,038	\$ 13,318
Changes in actuarial assumptions	5	356
Difference between projected and actual investment earnings	552	-
Contributions subsequent to the measurement date	19	-
<b>Total</b>	<b>\$ 1,614</b>	<b>\$ 13,674</b>

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:	
2024	\$ (2,742)
2025	(2,441)
2026	(210)
2027	(2,550)
2028	(2,014)
Thereafter	(2,122)
<b>Total</b>	<b>\$ (12,079)</b>

**Emerald Bay Municipal Utility District**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2024**

**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 22, 2025, 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, 2024**

	Original Budget	Amendments	Amended Budget	Actual	Variance
<b>Revenues</b>					
Charges for Services	\$ 1,037,104	\$ 260,110	\$ 1,297,214	\$ 1,229,983	\$ (67,231)
Initiation Fees	76,000	(34,000)	42,000	56,000	14,000
Other Revenues	50,038	(1,609)	48,429	70,571	22,142
Total Revenues	<u>1,163,142</u>	<u>224,501</u>	<u>1,387,643</u>	<u>1,356,554</u>	<u>(31,089)</u>
<b>Expenses</b>					
Accounting Audit & Legal Fees	30,541	6,988	37,529	26,926	10,603
Engineering & Consulting	7,827	(5,117)	2,710	1,602	1,108
Insurance	30,286	1,111	31,397	38,387	(6,990)
Licenses & Assessments	2,708	1,682	4,390	3,783	607
Miscellaneous	12,052	(10,100)	1,952	4,821	(2,869)
Office & Collections	51,395	(4,403)	46,992	57,529	(10,537)
Payroll	232,473	30,309	262,782	280,797	(18,015)
Temp Service Employees	-	-	-	4,784	(4,784)
Plant Operating	43,923	2,463	46,386	44,036	2,350
Repairs & Maintenance	205,093	121,733	326,826	90,250	236,576
Utilities	120,030	64,237	184,267	147,488	36,779
Depreciation	397,126	(46,564)	350,562	382,094	(31,532)
Total Expenses	<u>1,133,454</u>	<u>162,339</u>	<u>1,295,793</u>	<u>1,082,497</u>	<u>213,296</u>
Revenues in Excess of or (Deficient) of Expenses	29,688	62,162	91,850	274,057	182,207
<b>Other Revenues (Expenses)</b>					
Interest Income	13,783	13,738	27,521	27,818	297
Miscellaneous Income	5,904	-	5,904	142,687	136,783
Interest Expense	(106,041)	8,596	(97,445)	(107,659)	(10,214)
Net Other Revenue (Expense)	<u>(86,354)</u>	<u>22,334</u>	<u>(64,020)</u>	<u>62,846</u>	<u>126,866</u>
Change in Net Position	(56,666)	84,496	27,830	336,903	309,073
Beginning Net Position	<u>5,621,858</u>	<u>-</u>	<u>5,621,858</u>	<u>5,621,858</u>	<u>-</u>
Ending Net Position	<u>\$ 5,565,192</u>	<u>\$ 84,496</u>	<u>\$ 5,649,688</u>	<u>\$ 5,958,761</u>	<u>\$ 309,073</u>

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

	Year ended December 31									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>										
Service Cost	\$ 8,127	\$ 10,350	\$ 6,204	\$ 7,681	\$ 7,332	\$ 12,608	\$ 7,521	\$ 10,959	\$ 8,883	\$ 7,271
Interest on total pension liability	3,269	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	614	(1,865)	(18,577)	(5,102)	(160)	(7,030)	2,227	(4,335)	(6,867)	79
Benefit payments/refunds of contributions	(2,626)	(1,003)	(17,008)	(5,370)	-	-	(1,962)	(7,856)	-	(1,273)
<b>Net Change in Total Pension Liability</b>	<b>9,384</b>	<b>10,205</b>	<b>(26,119)</b>	<b>4,633</b>	<b>10,740</b>	<b>8,856</b>	<b>9,806</b>	<b>327</b>	<b>3,191</b>	<b>6,931</b>
<b>Total Pension Liability - Beginning</b>	<b>36,176</b>	<b>25,971</b>	<b>52,090</b>	<b>47,457</b>	<b>36,717</b>	<b>27,861</b>	<b>18,055</b>	<b>17,728</b>	<b>14,537</b>	<b>7,606</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 45,560</b>	<b>\$ 36,176</b>	<b>\$ 25,971</b>	<b>\$ 52,090</b>	<b>\$ 47,457</b>	<b>\$ 36,717</b>	<b>\$ 27,861</b>	<b>\$ 18,055</b>	<b>\$ 17,728</b>	<b>\$ 14,537</b>
<b>Plan Fiduciary Net Position</b>										
Employer contributions	\$ 1,100	\$ 1,916	\$ 1,669	\$ 1,591	\$ 2,376	\$ 2,507	\$ 3,082	\$ 4,089	\$ 4,402	\$ 3,901
Member contributions	6,496	5,895	4,734	4,643	4,704	6,513	6,226	5,820	5,828	5,219
Investment income net of investment expenses	9,163	(5,296)	15,455	7,031	8,564	(713)	4,719	2,014	(166)	521
Benefit payments/refunds of contributions	(2,626)	(1,003)	(17,008)	(5,370)	-	-	(1,962)	(7,856)	-	(1,273)
Administrative expenses	(51)	(49)	(44)	(56)	(52)	(41)	(29)	(22)	(16)	(10)
Other	282	1,026	(280)	32	252	273	99	1,014	(2)	(1)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>14,364</b>	<b>2,489</b>	<b>4,526</b>	<b>7,871</b>	<b>15,844</b>	<b>8,539</b>	<b>12,135</b>	<b>5,059</b>	<b>10,046</b>	<b>8,357</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>82,925</b>	<b>80,436</b>	<b>75,910</b>	<b>68,039</b>	<b>52,195</b>	<b>43,657</b>	<b>31,522</b>	<b>26,463</b>	<b>16,417</b>	<b>8,059</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 97,289</b>	<b>\$ 82,925</b>	<b>\$ 80,436</b>	<b>\$ 75,910</b>	<b>\$ 68,039</b>	<b>\$ 52,196</b>	<b>\$ 43,657</b>	<b>\$ 31,522</b>	<b>\$ 26,463</b>	<b>\$ 16,416</b>
<b>Net position liability/(assets), ending = (a)-(b)</b>	<b>\$ (51,729)</b>	<b>\$ (46,749)</b>	<b>\$ (54,465)</b>	<b>\$ (23,820)</b>	<b>\$ (20,582)</b>	<b>\$ (15,479)</b>	<b>\$ (15,796)</b>	<b>\$ (13,467)</b>	<b>\$ (8,735)</b>	<b>\$ (1,879)</b>
<b>Plan Fiduciary net position as a Percentage of Total Pension Liability</b>	213.54%	229.23%	309.71%	145.73%	143.37%	142.15%	156.70%	174.59%	149.27%	112.93%
<b>Covered Employee Payroll</b>	\$162,390	\$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>	-31.85%	-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**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 1,100	\$ 1,916	\$ 2,058	\$ 1,669	\$ 1,590	\$ 2,376	\$ 2,507	\$ 3,082	\$ 4,089	\$ 4,400
Contributions in relation to the actuarially determined contribution	<u>(1,100)</u>	<u>(1,916)</u>	<u>(2,058)</u>	<u>1,669</u>	<u>1,590</u>	<u>2,376</u>	<u>2,507</u>	<u>3,082</u>	<u>4,089</u>	<u>4,402</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,338</u>	<u>\$ 3,180</u>	<u>\$ 4,752</u>	<u>\$ 5,014</u>	<u>\$ 6,164</u>	<u>\$ 8,178</u>	<u>\$ 8,802</u>
Covered Employee Payroll	\$ 162,390	\$ 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	0.68%	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, 2024**

**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 (level percentage of pay)
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	0 years (based on contribution rate calculated in 12/31/23 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, 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	135% of the PUB-2010 General Retirees Table for males and 120% of the PUB-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Other Information:	There were changes in plan provisions during the year.

## **Supplementary Information**

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF SERVICES AND RATES  
September 30, 2024  
(UNAUDITED)**

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	2000 gal	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"	589	589	1.0	589.0
1"	24	24	2.5	60.0
1.5"	2	2	5.0	10.0
2"	-	-	8.0	-
Total Water	615	615		659.0
Total Wastewater	653	653	1.0	653.0

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

Gallons pumped into the system	77,805,433
Gallons billed to customers	70,009,364
Water Accountability Ratio	0.89980

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF PROPRIETARY FUND EXPENDITURES  
September 30, 2024**

Personnel Expenditures (Including Benefits)	279,107
Temporary Employment Services	4,784
Professional Fees:	
Accounting	23,250
Legal	3,375
Engineering	1,603
Contracted Services:	
Testing	7,686
Utilities	147,488
Repairs and Maintenance	93,095
Administrative Expenditures	
Office	57,529
Insurance	38,387
Licenses	3,783
Interest	107,659
Other Administrative Expenses	5,007
Other Expenses	
Plant Operating	291
Chlorine Supplies	13,219
Sludge Handling	21,799
	<hr/>
Total Expenditures	<u><u>\$ 808,062</u></u>
Number of Employees	
Full Time	5
Part Time	0



**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS  
September 30, 2024**

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
2025	\$ 194,975	\$ 77,160	\$ 272,135	\$ 112,623	\$ 3,764	\$ 116,387	\$ 307,598	\$ 80,924	\$ 388,522
2026	201,910	70,225	272,135	74,927	920	77,408	276,837	71,145	347,982
2027	209,091	63,044	272,135	-	-	-	209,091	63,044	272,135
2028	216,528	55,607	272,135	-	-	-	216,528	55,607	272,135
2029	224,229	47,906	272,135	-	-	-	224,229	47,906	272,135
2030	232,204	39,931	272,135	-	-	-	232,204	39,931	272,135
2031	240,463	31,672	272,135	-	-	-	240,463	31,672	272,135
2032	249,015	23,120	272,135	-	-	-	249,015	23,120	272,135
2033	257,872	14,263	272,135	-	-	-	257,872	14,263	272,135
2034	267,045	5,083	272,128	-	-	-	267,045	5,083	272,128
	<u>\$ 2,293,332</u>	<u>\$ 428,011</u>	<u>\$ 2,721,343</u>	<u>\$ 187,550</u>	<u>\$ 4,684</u>	<u>\$ 193,795</u>	<u>\$ 2,480,882</u>	<u>\$ 432,695</u>	<u>\$ 2,913,577</u>

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
ANALYSIS OF CHANGES IN LONG-TERM DEBT (Revenue Notes)  
September 30, 2024**

	<u>Southside Bank Series 2010B</u>	<u>Southside BankSeries 2014</u>	<u>Southside BankSeries 2015</u>	<u>Southside BankSeries 2017</u>	<u>Totals</u>
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	\$ -	\$ 2,481,610	\$ 297,340	\$ -	\$ 2,778,950
Notes Incurred During Current Year	-	-	-	-	\$ -
Retirements During Current Year	-	188,278	109,790	-	\$ 298,068
Balances Outstanding at End of Year	<u>\$ -</u>	<u>\$ 2,293,332</u>	<u>\$ 187,550</u>	<u>\$ -</u>	<u>\$ 2,480,882</u>
Interest Paid During Year	\$ -	\$ 83,855	\$ 6,325	\$ -	\$ 90,180
<b>Bond Authority</b>	<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, 2024					<u>\$ -</u>
Average Annual Debt Service Requirements for Remaining Term of all Revenue Notes					<u>\$ 291,358</u>

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
COMPARATIVE SCHEDULE OF REVENUES & EXPENSES  
September 30, 2024**

Fiscal Year Ended September 30,	2024	2023	2022	2021	2020	2019	2018	2024	2023	2022	2021	2020	2019	2018
<b>Operating Revenues</b>								<b>Percentages</b>						
Water/Sewer Charges	\$ 1,171,709	\$ 1,078,694	\$ 987,990	\$ 937,562	\$ 950,529	\$ 918,640	\$ 931,702	86.37	88.82	83.73	80.89	66.30	66.04	71.71
Road/Bridge Charges	58,274	58,322	58,376	58,258	351,453	352,614	47,084	4.30	4.80	4.95	5.03	24.51	25.35	18.70
Connection and Other Fees	126,571	77,522	133,538	163,266	131,798	119,874	84,046	9.33	6.38	11.32	14.09	9.19	8.62	9.58
Total Operating Revenues	1,356,554	1,214,538	1,179,904	1,159,086	1,433,780	1,391,128	1,062,832	100.00	100.00	100.00	100.00	100.00	100.00	100.00
<b>Operating Expenses</b>														
Utilities	147,488	102,482	105,968	108,482	98,780	110,381	119,553	10.87	8.44	8.98	9.36	6.89	7.93	8.03
Plant Operations	44,036	37,384	35,239	25,470	18,172	19,217	24,514	3.25	3.08	8.75	2.20	1.27	1.38	1.73
Payroll	285,581	236,593	86,456	158,593	160,428	160,092	177,171	21.05	19.48	7.33	13.68	11.19	11.51	15.84
Insurance	38,387	16,728	11,850	16,512	19,321	18,745	17,510	2.83	1.38	1.00	1.42	1.35	1.35	1.50
Licenses and Assessments	3,783	4,605	2,708	2,819	4,605	2,712	3,111	0.28	0.38	0.23	0.24	0.19	0.22	0.23
Repair and Maintenance	90,250	104,945	106,154	84,584	52,662	55,072	55,320	6.65	8.64	9.00	7.30	3.67	3.96	2.87
Roads Administration	-	2,000	-	-	13,205	-	-	-	0.16	-	-	1	-	-
Miscellaneous	4,821	3,071	24,446	21,502	29,793	24,853	23,281	0.36	0.25	2.07	1.86	2.08	1.79	1.33
Office	57,529	45,983	133,075	50,470	16,278	10,210	28,840	4.24	3.79	11.28	4.35	1.14	0.73	1.23
Accounting, Audit, and Legal	28,528	34,166	28,174	16,296	10,852	32,820	34,376	2.10	2.81	2.39	1.41	0.76	2.36	4.17
Depreciation	382,094	359,455	349,618	389,188	397,845	346,668	329,180	28.17	29.60	29.63	33.58	27.75	24.92	24.75
Total Operating Expenses	1,082,497	947,412	883,688	873,916	820,048	781,169	813,478	79.80	78.01	80.66	75.40	57.21	56.15	61.68
Operating Revenues Less Expenses	274,057	267,126	296,216	285,170	613,732	609,959	249,354	20.20	21.99	19.34	24.60	42.79	43.85	38.32
<b>Other Revenue / Expenses</b>														
Interest Income	27,818	25,650	15,350	20,650	24,647	17,715	7,032	2.05	2.11	1.30	1.78	1.72	1.27	0.95
Miscellaneous Revenue	142,687	37,010	11,268	25,983	44,226	1,998	6,080	10.52	3.05	0.95	2.24	3.08	0.14	0.07
Interest Expense	(107,659)	(94,788)	(106,041)	(115,087)	(126,912)	(132,855)	(155,538)	(7.94)	(7.80)	(8.99)	(9.93)	(8.85)	(9.55)	(10.34)
Other Expense	-	(5,997)	(5,190)	(1,315)	(23,621)	-	(1,590)	-	(0.49)	(0.44)	(0.11)	(1.65)	-	(1.76)
Total Other Revenues / Expenses	62,846	(38,125)	(84,613)	(69,769)	(81,660)	(113,142)	(144,016)	4.63	(3.14)	(7.18)	(6.02)	(5.70)	(8.14)	(11.08)
Net Revenues Less Expenses	\$ 336,903	\$ 229,001	\$ 211,603	\$ 215,401	\$ 532,072	\$ 496,817	\$ 105,338	24.84	18.85	12.16	18.58	37.09	35.71	27.24

**EMERALD BAY MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
September 30, 2024  
(UNAUDITED)**

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 2024 - May 2028	\$ 9,801	President	Yes
Cayla Washburn	(Elected) May 2022 - May 2026	\$ -	Treasurer	Yes
Inge Grant	(Appointed) May 2022 - May 2026	\$ -	Administrator	Yes
Dwight Cole	(Elected) May 2022 - February 2024	\$ -	Vice President	Yes
Becky Kirkpatrick	(Elected) May 2024 - May 2028	\$ -	Secretary	Yes
Steve Young	(Appointed) July 2024 - May 2026	\$ -	Vice President	Yes

**Key Administrative Personnel:**

**Investment Officer:**

Cayla Washburn  
107 Newport Ln  
Bullard, Texas 75757

**Office Administrator:**

Lorraine Threet  
17122 FM 344  
Flint, TX 75762

**Consultants:**

The C.T. Brannon Corp. \$ 17,793  
P.O. Box 7487  
Tyler, Texas 75711

Patrick Law Offices \$ 3,000  
PO Box 938  
Lindale, Texas 75771

Gollob Morgan Peddy PC \$ 23,250  
1001 ESE Loop 323, Suite 300  
Tyler, Texas 75701

\*\*\* 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, 2024 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 22, 2025.

***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 22, 2025