

FOUR WAY SPECIAL UTILITY DISTRICT
Huntington, Texas

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2024

TABLE OF CONTENTS

Independent Auditor's Report 3

Management's Discussion and Analysis 5

Financial Statements:

 Statement of Net Position - Proprietary Fund 8

 Statement of Activities - Proprietary Fund 9

 Statement of Cash Flows - Proprietary Fund 10

 Notes to Financial Statements 11

Required Supplementary Information:

 Schedule of Changes in Net Pension Liability and Related Ratios 22

 Schedule of Employer Contributions 23

Supplementary Information:

 Supplemental Schedules Included Within This Report 25

 Notes Required by the Water District Accounting Manual 26

 TSI-1. Services and Rates 27

 TSI-2. Enterprise Fund Expenses 28

 TSI-3. Temporary Investments 29

 TSI-4. Taxes Levied and Receivable 30

 TSI-5. Long-Term Debt Service Requirements by Years 31

 TSI-6. Changes in Long-Term Bonded Debt 32

 TSI-7a. Comparative Schedule of Revenues and Expenses - Five Years 33

 TSI-8. Board Members, Key Personnel and Consultants 35

 Schedule of Budgeted (Non-GAAP Basis) Revenues and Expenses 36

 Annual Filing Affidavit 37

 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* 38

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Four Way Special Utility District

Opinion

We have audited the accompanying financial statements of Four Way Special Utility District ("The District"), which comprise the statement of net position as of December 31, 2024, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Four Way Special Utility District as of December 31, 2024, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Four Way Special Utility District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 generally accepted auditing standards and *Government Auditing Standards* that 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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.
- Obtaining 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 judgement, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios and the schedule of employer contributions 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 Four Way Special Utility District's financial statements as a whole. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2025 on our consideration of Four Way Special Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
March 18, 2025



FOUR WAY SPECIAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of Four Way Special Utility District (the District) offers the reader of the District's basic financial statements this narrative overview and analysis of the financial performance of the District for the year ended December 31, 2024. Please read it in conjunction with the District's basic financial statements, which follow this section.

Overview of Water District

Four Way Water Supply Corporation was organized and chartered on March 7, 1966 under Article 143a of the Revised Civil Statutes of Texas of 1925 for the purpose of providing and furnishing a safe and dependable water supply to the rural area in Angelina County.

Only July 1, 2007, Four Way Water Supply Corporation became a Special Utility District in order to provide the system customers with a recognized political subdivision that would have the powers needed to obtaining alternative and more favorable methods of financing the future system improvements.

A Special Utility District (SUD) is a political subdivision, and can issue revenue bonds on the open market or for purchase by the Texas Water Development Board (TWDB). A SUD is exempt from ad valorem taxes on its personal property, utility lines and plant facilities, as well as sales tax on supplies and services. It is subject to the Open Meetings and Open Records Act. It must follow statutory bid advertisement and contract provisions for political subdivisions and is subject to the continuing right of supervision by the Texas Commission on Environmental Quality (TCEQ).

Four Way Special Utility District currently provides service to over 2,000 customers.

Financial Highlights

- The District's total assets and deferred outflows exceeded liabilities and deferred inflows by \$7,709,963 on December 31, 2024 as a result of the year's operations.
- The District's total assets and deferred outflows were \$8,129,269; of this amount \$5,654,495 represents capital assets and \$2,474,774 represents cash and cash equivalents, other assets and deferred outflows.
- Liabilities and deferred inflow for the District totaled \$419,306.
- Operating revenues for the District at year end were \$1,639,179 and exceeded operating expense by \$329,103. The major revenue sources that contributed to the District were water sales.

Financial Analysis

Net Position: The District's net position was \$7,709,963 at December 31, 2024. (See Table 1)

TABLE 1
NET POSITION

	DECEMBER 31,		TOTAL PERCENTAGE CHANGE 2024-2023
	2024	2023	
Current assets	\$ 2 144 512	\$ 1 484 809	44.43
Restricted assets	241 450	387 789	37.74
Capital assets	5 654 495	5 680 148	(0.45)
Other assets	38 424	9 512	303.95
TOTAL ASSETS	8 078 881	7 562 258	6.83
Deferred outflows	50 388	63 349	
Current liabilities	400 527	419 488	(4.52)
Long-term liabilities	-	9 248	(100.00)
TOTAL LIABILITIES	400 527	428 736	(6.58)
Deferred inflows	18 779	19 544	(3.91)
TOTAL NET POSITION	\$ 7 709 963	\$ 7 177 327	7.42

The total net position increased \$532,636, which represents a combination of net operating profit of \$329,103 and net non-operating income of \$203,533.

The District's total revenues were \$1,844,777. A significant portion, 91 percent, of the District's revenues came from service revenues (sale of water) (See Table 2).

TABLE 2
CHANGES IN NET POSITION

	DECEMBER 31,		TOTAL PERCENTAGE CHANGE 2024-2023
	2024	2023	
Operating Revenues:			
Service revenues	\$ 1 639 179	\$ 1 658 958	(1.19)
TOTAL OPERATING INCOME	<u>1 639 179</u>	<u>1 658 958</u>	(1.19)
Operating Expenses:			
Payroll costs	380 826	367 316	3.68
Professional fees	16 176	17 360	(6.82)
Utilities	99 948	109 610	(8.81)
Repairs and maintenance	182 803	275 584	(33.67)
Administrative expenses	305 328	267 079	14.32
Depreciation expense	324 995	313 286	3.74
TOTAL OPERATING EXPENSES	<u>1 310 076</u>	<u>1 350 235</u>	(2.97)
Operating income (loss)	<u>329 103</u>	<u>308 723</u>	6.60
Non-Operating Revenue (Expense):			
Miscellaneous income	98 664	11 780	737.56
Interest income	68 289	41 676	63.86
Interest expense	(2 065)	(7 631)	(72.94)
Gain on sale of assets	38 343	14 103	171.88
Project reimbursements	302	-	-
TOTAL NON-OPERATING	<u>203 533</u>	<u>59 928</u>	239.63
CHANGE IN NET POSITION	<u>532 636</u>	<u>368 651</u>	48.48
Net position at beginning of year	<u>7 177 327</u>	<u>6 808 676</u>	5.41
NET POSITION AT END OF YEAR	<u>\$ 7 709 963</u>	<u>\$ 7 177 327</u>	7.42

Financial Analysis of Government Funds

The District has no governmental funds. See Notes to Financial Statements.

Analysis of Changes in Capital Assets and Long-Term Debt:

As of December 31, 2024, the District had invested \$5,654,495 in net capital assets consisting of the land, building, water equipment, vehicles, office equipment, and right of use assets. Approximately \$301,999 in capital assets were purchased in 2024.

As of December 31, 2024, the District had long-term debt outstanding of \$9,249 which consisted of a revenue note and right of use liabilities. \$9,249 of the long-term debt is due within the next fiscal year. The District paid \$150,389 in principal during 2024.

The Budget, Economic Environment, and Rates:

The District is not aware of any other significant changes to the budget for the upcoming year. The original budget for the year ended December 31, 2024 was amended as needed and the District's net operating income was more than budget by \$163,577.

Contacting the District's Financial Management

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the business office, at P. O. Box 250, Huntington, Texas 75949-0250.

FINANCIAL STATEMENTS

FOUR WAY SPECIAL UTILITY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
For the Year Ended December 31, 2024

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1 949 042
Accounts receivable	176 853
Prepaid insurance	18 617
TOTAL CURRENT ASSETS	2 144 512
Non-Current Assets:	
Restricted cash and cash equivalents – Deposits	241 450
Capital Assets:	
Land and easements	204 484
Depreciable assets, net	5 262 044
Construction in progress	187 967
TOTAL CAPITAL ASSETS	5 654 495
Net pension asset	38 424
TOTAL NON-CURRENT ASSETS	5 934 369
DEFERRED OUTFLOWS	
Deferred outflows - Pension	50 388
TOTAL DEFERRED OUTFLOWS	50 388
TOTAL ASSETS AND DEFERRED OUTFLOWS	8 129 269
LIABILITIES	
Accounts payable	120 031
Accrued expenses	29 529
Interest payable	268
Deposits payable	241 450
Current portion of long-term debt	9 249
TOTAL LIABILITIES	400 527
DEFERRED INFLOWS	
Deferred inflows - Pension	18 779
TOTAL DEFERRED INFLOWS	18 779
TOTAL LIABILITIES AND DEFERRED INFLOWS	419 306
NET POSITION	
Net investment in capital assets	5 645 246
Unrestricted	2 064 717
TOTAL NET POSITION	\$ 7 709 963

The accompanying notes to financial statements are an integral part of these statements.

FOUR WAY SPECIAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES
PROPRIETARY FUND
For the Year Ended December 31, 2024

Operating Revenues:	
Water sales	\$ 1 397 087
Connection fees	209 848
Penalties	<u>32 244</u>
TOTAL OPERATING REVENUES	<u>1 639 179</u>
Operating Expenses:	
Payroll costs	380 826
Professional fees	16 176
Utilities	99 948
Repairs and maintenance	182 803
Administrative expense	305 328
Depreciation expense	<u>324 995</u>
TOTAL OPERATING EXPENSES	<u>1 310 076</u>
OPERATING INCOME	<u>329 103</u>
Non-Operating Revenues (Expenses):	
Gain(loss) on sale of assets	38 343
Interest income	68 289
Interest expense	(2 065)
Miscellaneous income	98 664
Project reimbursements	<u>302</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>203 533</u>
CHANGE IN NET POSITION	532 636
Net position, beginning of year	<u>7 177 327</u>
NET POSITION, END OF YEAR	<u>\$ 7 709 963</u>

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

FOUR WAY SPECIAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended December 31, 2024

Cash Flows from Operating Activities:	
Cash received from customers	\$ 1 633 644
Cash payments to suppliers for goods and services	(530 437)
Cash payments to employees for services	(396 632)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>706 575</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(116 140)
Principal paid on long-term debt	(149 316)
Interest paid on long-term debt	(4 816)
Increase in deposits payable	8 850
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(261 422)</u>
Cash Flows from Investing Activities:	
Proceeds from sale of capital assets	79 343
Interest on cash and investments	68 289
Other non-operating income	98 966
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>246 598</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	505 892
Cash and cash equivalents, beginning of year	<u>1 684 600</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2 190 492</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ <u>329 103</u>
Adjustments to Reconcile Operating Income to Net Cash Used in Operations:	
Depreciation	324 995
Gain on disposal of fixed assets	(38 343)
(Increase) in accounts receivable	(5 535)
(Increase) in prepaid expenses	(1 937)
(Increase) in deferred outflow - Pension	12 961
(Increase) in net pension asset	(28 912)
Increase in accounts payable	114 098
Increase in retirement payable	910
(Decrease) in deferred inflows - Pension	<u>(765)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 706 575</u>

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

FOUR WAY SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity:

On July 1, 2007, Four Way Water Supply Corporation became a Special Utility District (the District). The District is a political subdivision operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Directors elected by registered voters of the Special Utility District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants.

A. Fund Accounting:

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows, deferred outflows, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The District has only one generic fund type as follows:

Proprietary Fund

Enterprise Fund - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The District operates as a singular enterprise fund.

B. Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

C. Capital Assets:

The District's fixed assets are capitalized and recorded at historical cost, less accumulated depreciation. Donated fixed assets are recorded at fair value at date of gift. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets. Estimated useful lives are as follows:

Furniture and Equipment	3 - 10 years
Water and Sewer Systems	15 - 20 years
Building	15 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

D. Basis of Accounting:

Basis of accounting refers to the point which revenues and expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

The proprietary fund financial statements are reported using the economic resources measurement focus. The proprietary fund financial statements are presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

As permitted by generally accepted accounting principles, the District has elected to apply only applicable FASB statements and interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to residential customers for water and the related installation fees. Operating expenses report on the costs to maintain the water system, the cost of sales and service, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

FOUR WAY SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Data:

The official budget was prepared for adoption for the proprietary fund. The following procedures are followed in establishing the budgetary data reflected in the required supplementary information:

- a. Prior to the beginning of fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the District is then called for the purpose of adopting the proposed budget. Public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended only by approval of a majority of the members of the Board.

F. Cash and Cash Equivalents:

The District defines cash equivalents as short-term, highly liquid investments that are readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include investments with original maturities of three months or less when purchased by the District.

G. Accounts Receivable:

Accounts receivable is recorded when water bills are issued net of an allowance for doubtful accounts. Accounts receivable is written off when they are determined by management to be uncollectible. The allowance for doubtful accounts is estimated based on accounts past due over 90 days. All accounts due the District at December 31 are expected to be collected.

H. Net Position:

Net position in the proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent constraints on Net assets classified as invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.

Unrestricted net position consist of net position that does not meet the definition of "restricted" or "net investment in capital assets."

I. Subsequent Events:

Management has evaluated subsequent events through March 18, 2025, the date the financial statements were available to be issued.

NOTE 2 - CASH AND INVESTMENTS

The Public Funds Investment Act requires an annual audit of investment practices. Audit procedures disclosed that in the areas of management reports and establishment of appropriate policies, the District adhered to all the requirements of the Act for the year ended December 31, 2024. Additionally, the District's investment practices were in accordance with local policies.

At December 31, 2024, the carrying amount of the District's deposits (cash, certificates of deposit and interest-bearing accounts in temporary investments) was \$2,190,492, and the bank balance was \$2,232,907.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment (generally, the longer the maturity of an investment, the greater the sensitivity of its fair value). The District limited interest rate risk at December 31, 2024 by investing only in money market accounts and certificates of deposit.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. The District places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) coverage is \$250,000 for demand deposits and \$250,000 for time and savings deposits. Of the bank balance, all was covered by federal depository insurance.

The cash deposits held at financial institutions can be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 - deposits that are insured or collateralized with securities held by the District or its agent in the District's name. Category 2 - deposits collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. Category 3 - deposits which are not collateralized or insured.

FOUR WAY SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 2 - CASH AND INVESTMENTS - CONTINUED

Based on these three levels of risk, at December 31, 2024, the District's cash deposits are classified as follows:

	CATEGORY			BANK BALANCE	COLLATERAL MARKET VALUE
	1	2	3		
Cash, cash equivalents and certificates of deposit	\$ 2 232 907	\$ -	\$ -	\$ 2 232 907	\$ 76 190

Investments - The District is authorized to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, certificates of deposit, and in approved public funds investment pools.

NOTE 3 - CAPITAL ASSETS

Capital assets are recorded at cost. Expenses for maintenance and repairs are charged to operations. Betterments that materially extend the life are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Capital asset activity for the District, for the year ended December 31, 2024, was as follows:

	BALANCE 12/31/2023	ADDITIONS	DELETIONS	TRANSFERS	BALANCE 12/31/2024
Capital Assets Not Being Depreciated:					
Land	\$ 204 484	\$ -	\$ -	\$ -	\$ 204 484
Construction in process	216 849	185 859	-	(214 741)	187 967
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	421 333	185 859	-	(214 741)	392 451
Capital Assets Being Depreciated:					
Buildings	970 513	-	-	-	970 513
Company vehicles	210 786	-	-	-	210 786
Furniture and equipment	433 847	116 140	(106 224)	123 586	567 349
Water system	4 012 286	-	-	91 155	4 103 442
Wells and plants	4 469 599	-	-	-	4 469 599
Right of use assets	25 584	-	-	-	25 584
TOTAL CAPITAL ASSETS BEING DEPRECIATED	10 122 615	116 140	(106 224)	214 741	10 347 273
Allowance for depreciation	(4 863 800)	(324 995)	103 567	-	(5 085 228)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	5 258 815	(208 855)	(2 657)	214 741	5 262 044
TOTAL CAPITAL ASSETS, NET	\$ 5 680 148	\$ (22 996)	\$ (2 657)	\$ -	\$ 5 654 495

NOTE 4 - CHANGES IN LONG-TERM DEBT

Debt consists of the following at December 31, 2024:

\$13,616 Right of Use Asset Payable, dated January 1, 2023, bearing interest at 3.77%, maturing in 2025	\$ 4 710
\$4,347 Right of Use Asset Payable, dated November 18, 2023, bearing interest at 4.72%, maturing in 2025	1 454
\$7,621 Right of Use Asset Payable, dated October 30, 2023, bearing interest at 4.37%, maturing in 2025	3 085
TOTAL DEBT PAYABLE	\$ 9 249

Long-term debt activity for the District for the year ended December 31, 2024, was as follows:

	BEGINNING BALANCE	AMOUNT ISSUED	AMOUNT REDEEMED	ENDING BALANCE
Regions Bank	\$ 141 510	\$ -	\$ (141 510)	\$ -
Right of use payables	18 128	-	(8 879)	9 249
TOTAL	\$ 159 638	\$ -	\$ (150 389)	\$ 9 249

The annual requirement to amortize outstanding debt as of December 31, 2024 follows:

YEAR	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2025	\$ 9 249	\$ 301	\$ 9 550
TOTAL	\$ 9 249	\$ 301	\$ 9 550

FOUR WAY SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 5 - PENSION PLAN

1. Plan Information

Plan Description. The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 641 nontraditional defined benefit pension plans. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Membership Information

MEMBERS	DECEMBER 31,	
	2022	2023
Number of Inactive Employees Entitled to but Not Yet Receiving Benefits:	4	4
Number of Active Employees:	6	5
Average Monthly Salary*:	\$ 4,406	\$ 4,929
Average Age*:	40.68	45.71
Average Length of Service in Years*:	12.46	15.77

**Averages reported for all active and inactive employees. Average service includes all proportionate service.*

2. Actuarial Assumptions

Following are the key assumptions and methods used in this GASB analysis.

Valuation Timing	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.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	Same as funding valuation
Salary Increases	Same as funding valuation
Investment Rate of Return	7.60%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Same as funding valuation
Turnover	Same as funding valuation
Mortality	Same as funding valuation

⁽¹⁾ Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

Actuarial Methods and Assumptions Used for Funding Valuation:

Following is a description of the assumptions used in the December 31, 2023 actuarial valuation analysis for the District. This information may also be found in the Four Way Special Utility District December 31, 2023 Summary Valuation Report.

Economic Assumptions:

TCDRS System-Wide Economic Assumptions:

Real rate of return	5.00%
Inflation	2.50%
Long-term investment return	7.50%

FOUR WAY SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 5 - PENSION PLAN - CONTINUED

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee. (See Table 1 for Merit Salary Increases.)

Employer-Specific Economic Assumptions:

Growth in membership	0.0%
Payroll growth	0.0%

The payroll growth assumption is for the aggregate covered payroll of an employer.

**Table 1
Merit Salary Increases***

Years of Service	Entry Age			
	Before 30	Ages 30-39	Ages 40-49	50 and Later
0	5.25%	4.75%	4.25%	3.50%
1	4.50%	4.00%	3.50%	2.75%
2	4.10%	3.25%	2.85%	2.20%
3	3.70%	3.00%	2.50%	1.75%
4	3.35%	2.75%	2.25%	1.65%
5	3.10%	2.60%	2.15%	1.55%
6	2.85%	2.40%	2.05%	1.40%
7	2.65%	2.25%	1.90%	1.25%
8	2.50%	2.15%	1.80%	1.15%
9	2.35%	2.00%	1.65%	1.05%
10	2.20%	1.85%	1.50%	0.95%
11	2.10%	1.75%	1.35%	0.85%
12	1.95%	1.65%	1.25%	0.80%
13	1.85%	1.55%	1.10%	0.75%
14	1.75%	1.45%	1.00%	0.70%
15	1.65%	1.35%	0.90%	0.65%
16	1.50%	1.25%	0.85%	0.60%
17	1.40%	1.15%	0.75%	0.55%
18	1.30%	1.05%	0.70%	0.50%
19	1.25%	1.00%	0.65%	0.45%
20	1.20%	0.95%	0.60%	0.40%
21	1.15%	0.90%	0.55%	0.40%
22	1.10%	0.85%	0.50%	0.40%
23	1.00%	0.75%	0.45%	0.40%
24	0.94%	0.65%	0.40%	0.40%
25	0.88%	0.60%	0.40%	0.40%
26	0.82%	0.60%	0.40%	0.40%
27	0.76%	0.60%	0.40%	0.40%
28	0.70%	0.60%	0.40%	0.40%
29	0.65%	0.60%	0.40%	0.40%
30 & Up	0.60%	0.60%	0.40%	0.40%

** These rates do not include the wage inflation rate of 3.00% per year. For example, a member who entered the system at age 20 and is in the first year of service is assumed to receive 8.41% total annual increase in his salary. The 8.41% is a combination of the 5.25% merit increase and the 3.00% wage inflation. Note that the two components are compounded, so it is a slightly different result than just adding the two percentages.*

Demographic Assumptions

TCDRS System-Wide Demographic Assumptions:

Replacement of Terminated Members - New employees are assumed to replace any terminated members and have similar entry ages.

Disability - The rates of disability used in this valuation are illustrated in Table 2. Members who become disabled are eligible to commence benefit payments regardless of age. Rates of disability are in a custom table based on TCDRS experience.

FOUR WAY SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 5 - PENSION PLAN - CONTINUED

Table 2
Annual Rates of Disability*

Age	Work Related Male and Female	All Other Causes Male and Female	Age	Work Related Male and Female	All Other Causes Male and Female
less than 25	0.001%	0.001%	43	0.001%	0.058%
25	0.001%	0.003%	44	0.001%	0.066%
26	0.001%	0.006%	45	0.001%	0.074%
27	0.001%	0.009%	46	0.001%	0.082%
28	0.001%	0.011%	47	0.001%	0.090%
29	0.001%	0.013%	48	0.001%	0.099%
30	0.001%	0.014%	49	0.001%	0.108%
31	0.001%	0.016%	50	0.001%	0.117%
32	0.001%	0.018%	51	0.001%	0.126%
33	0.001%	0.020%	52	0.001%	0.135%
34	0.001%	0.023%	53	0.001%	0.144%
35	0.001%	0.025%	54	0.001%	0.153%
36	0.001%	0.028%	55	0.001%	0.162%
37	0.001%	0.030%	56	0.001%	0.171%
38	0.001%	0.034%	57	0.001%	0.180%
39	0.001%	0.038%	58	0.001%	0.189%
40	0.001%	0.042%	59	0.001%	0.198%
41	0.001%	0.046%	60 & Above	0.000%	0.000%
42	0.001%	0.050%			

* The probability of disablement from all other causes is applicable for members who are vested but not eligible for service retirement. Before a member is vested, only the work related disability provisions are applicable.

Mortality

Depositing members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non-depositing members	135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Family Composition - For current retirees, beneficiary information is supplied by TCDRS. For purposes of calculating the Survivor Benefit for current depositing and non-depositing members, male members are assumed to have a female beneficiary who is three years younger. Female members are assumed to have a male beneficiary who is three years older.

Service Retirement - Members eligible for service retirement are assumed to retire at the rates shown in Table 3.

Table 3
Annual Rates of Service Retirement*

Age	Active Svc <15	Active Svc 15-24	Active Svc 25-29	Active Svc 30+	Deferred All Svc
40-49	5.3%	6.3%	7.7%	8.8%	0.0%
50	5.6%	6.8%	8.3%	9.4%	0.0%
51	5.6%	6.8%	8.3%	9.4%	0.0%
52	6.0%	7.2%	8.8%	10.0%	0.0%
53	6.0%	7.2%	8.8%	10.0%	0.0%
54	6.8%	8.1%	9.9%	11.3%	0.0%
55	6.8%	8.1%	9.9%	11.3%	0.0%
56	6.8%	8.1%	9.9%	11.3%	0.0%
57	7.5%	9.0%	11.0%	12.5%	0.0%
58	7.5%	9.0%	11.0%	12.5%	0.0%
59	7.5%	9.0%	11.0%	12.5%	0.0%
60	9.0%	10.8%	13.2%	15.0%	12.0%
61	9.0%	10.8%	13.2%	15.0%	12.0%
62	13.5%	16.2%	19.8%	22.5%	18.0%
63	11.3%	13.5%	16.5%	18.8%	15.0%
64	11.3%	13.5%	16.5%	18.8%	15.0%
65	22.5%	22.5%	27.5%	27.5%	25.0%
66	22.5%	22.5%	27.5%	27.5%	25.0%
67	21.6%	21.6%	26.4%	26.4%	24.0%
68	18.9%	18.9%	23.1%	23.1%	21.0%
69	18.9%	18.9%	23.1%	23.1%	21.0%
70	20.7%	20.7%	25.3%	25.3%	23.0%
71	20.7%	20.7%	25.3%	25.3%	23.0%
72	20.7%	20.7%	25.3%	25.3%	23.0%
73	20.7%	20.7%	25.3%	25.3%	23.0%
74	20.7%	20.7%	25.3%	25.3%	23.0%
75 & Above	100.0%	100.0%	100.0%	100.0%	100.0%

* For all eligible members ages 75 and later, retirement is assumed to occur immediately.

FOUR WAY SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 5 - PENSION PLAN - CONTINUED

Employer-Specific Demographic Assumptions:

Other Terminations of Employment - The rate of assumed future termination from active participation in the plan for reasons other than death, disability or retirement are illustrated in Table 4. The rates vary by length of service, entry-age group (age at hire) and sex. No termination after eligibility for retirement is assumed.

**Table 4
Annual Rates of Termination**

Years of Service	Entry Age 20		Entry Age 30		Entry Age 40		Entry Age 50	
	Male	Female	Male	Female	Male	Female	Male	Female
0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
4	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
5	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
6	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
7	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
8	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
10	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
11	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
13	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
15	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
16	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
17	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
18	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
19	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
21	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
22	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
23	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
25	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
26	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
27	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
28	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
29	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
30 & Later	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Withdrawals - Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting schedule. Rates applied to the plan are shown in Table 5. For non-depositing members who are not vested, 100% are assumed to elect a withdrawal.

**Table 5
Probability of Withdrawal**

Years of Service	Probability	Years of Service	Probability
0	100%	15	26%
1	100%	16	25%
2	100%	17	24%
3	100%	18	23%
4	100%	19	22%
5	100%	20	21%
6	100%	21	20%
7	100%	22	19%
8	100%	23	19%
9	100%	24	18%
10	32%	25	18%
11	31%	26	17%
12	30%	27	17%
13	29%	28	16%
14	27%	29*	16%

* Members with more than 29 years of service are not assumed to refund.

FOUR WAY SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 5 - PENSION PLAN - CONTINUED

3. 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.

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

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.75%
Global Equities	MSCI World (net) Index	2.50%	4.75%
International Equities - Developed	MSCI World Ex USA (net) Index	5.00%	4.75%
International Equities - Emerging	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment-Grade Bonds	Bloomberg US Aggregate Bond Index	3.00%	2.35%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.65%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	7.25%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽³⁾	4.00%	6.90%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.10%
Master Limited Partnerships	Alerian MLP Index	2.00%	5.20%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	25.00%	7.75%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	3.25%
Cash Equivalents	90-Day U. S. Treasury	2.00%	0.60%

⁽¹⁾ Target asset allocation adopted at the March 2024 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.2%, per Cliffwater's 2024 capital market assumptions.

⁽³⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

4. Depletion of Plan Assets / GASB Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plans fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plans fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.

FOUR WAY SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 5 - PENSION PLAN - CONTINUED

3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

5. Sensitivity Analysis

The following presents the net pension liability of the county/district, calculated using the discount rate of 7.60%, as well as what the District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$ 629 177	\$ 544 467	\$ 473 288
Fiduciary net position	\$ 582 890	\$ 582 890	\$ 582 890
Net pension liability/(asset)	\$ 46 287	\$ (38 424)	\$ (109 602)

6. Changes in Net Pension Liability

Changes in Net Pension Liability / (Asset)		Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2022	\$	480 966	\$ 490 477	\$ (9 511)
Changes for the Year:		30 941	-	30 941
Service cost		38 767	-	38 767
Interest on total pension liability ⁽¹⁾		-	-	-
Effect of plan changes		-	-	-
Effect of economic/demographic gains or losses		(2 524)	-	(2 524)
Effect of assumptions changes or inputs		-	-	-
Refund of contributions		(3 683)	(3 683)	-
Benefit payments		-	-	-
Administrative expenses		-	(304)	304
Member contributions		-	16 715	(16 715)
Net investment income		-	54 264	(54 264)
Employer contributions		-	23 401	(23 401)
Other ⁽²⁾		-	2 021	(2 021)
Balances as of December 31, 2023	\$	544 467	\$ 582 891	\$ (38 424)

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) Relates to allocation of system-wide items.

7. Pension Expense and Deferred Inflows/Outflows

As of December 31, 2024, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/ Outflows of Resources		Deferred Inflows of Resources		Deferred Outflows of Resources
Differences between expected and actual experience	\$	18 441	\$	7 203
Change of assumptions		338		20 588
Net difference between projected and actual earnings		-		5 272
Contributions made subsequent to measurement date		-		17 325
TOTAL	\$	18 779	\$	50 388

FOUR WAY SPECIAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 5 - PENSION PLAN - CONTINUED

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:

<u>YEAR ENDED DECEMBER 31,</u>		
2025	\$	(1 712)
2026	\$	(516)
2027	\$	10 935
2028	\$	(2 654)
2029	\$	558
Thereafter	\$	7 673

REQUIRED SUPPLEMENTARY INFORMATION

FOUR WAY SPECIAL UTILITY DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:										
Service cost	\$ 30 941	\$ 25 232	\$ 28 825	\$ 24 130	\$ 19 070	\$ 17 911	\$ 17 527	\$ 17 734	\$ 13 718	\$ 15 342
Interest (on the total pension liability)	38 767	34 197	32 061	27 111	18 368	15 542	13 125	10 174	8 554	7 316
Changes of benefit terms	-	-	-	-	64 737	-	-	-	(2 953)	-
Difference between expected and actual experience	-	-	973	29 477	-	-	(926)	-	805	-
Change of assumptions	(2 524)	6 592	(20 718)	1 735	698	283	(271)	(308)	(3 141)	(4 548)
Benefit payments, including refunds of employee contributions	(3 683)	(19 223)	-	-	-	-	-	-	-	(1 936)
NET CHANGE IN TOTAL PENSION LIABILITY	63 501	46 798	41 141	82 453	102 873	33 736	29 455	27 600	16 983	16 174
Total pension liability - Beginning	480 966	434 168	393 027	310 574	207 701	173 965	144 510	116 910	99 927	83 753
TOTAL PENSION LIABILITY - ENDING	544 467	480 966	434 168	393 027	310 574	207 701	173 965	144 510	116 910	99 927
Plan Fiduciary Net Position:										
Contributions - Employer	23 401	21 995	14 532	14 881	13 486	12 342	11 913	11 338	10 506	10 566
Contributions - Employee	16 715	15 711	14 532	14 881	13 486	12 342	11 913	11 338	10 506	10 566
Net investment income	54 264	(30 896)	87 461	33 069	41 139	(3 999)	26 502	10 756	(2 052)	6 755
Benefit payments, including refunds of employee contributions	(3 683)	(19 223)	-	-	-	-	-	-	-	(1 936)
Administrative	(304)	(287)	(271)	(285)	(243)	(201)	(153)	(117)	(98)	(87)
Other	2 021	3 020	929	912	966	758	318	1 779	(12)	(6)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	92 414	(9 680)	117 183	63 458	68 834	21 242	50 493	35 094	18 850	25 858
Plan fiduciary net position - Beginning	490 477	500 157	382 975	319 517	250 675	229 433	178 940	143 846	124 996	99 138
PLAN FIDUCIARY NET POSITION - ENDING	582 891	490 477	500 157	382 975	319 517	250 675	229 433	178 940	143 846	124 996
NET PENSION ASSET - ENDING	\$ (38 424)	\$ (9 512)	\$ (65 989)	\$ 10 052	\$ (8 939)	\$ (42 974)	\$ (55 468)	\$ (34 431)	\$ (26 936)	\$ (25 069)
Plan fiduciary net position as a percentage of total pension liability	107.06%	101.98%	115.20%	97.44%	102.88%	120.69%	131.89%	123.83%	123.04%	125.09%
Covered employee payroll	\$ 334 299	\$ 314 220	\$ 290 631	\$ 297 617	\$ 269 713	\$ 246 848	\$ 238 263	\$ 226 768	\$ 210 122	\$ 211 323
Net pension liability as a percentage of covered employee payroll	(11.49)%	(3.03)%	(22.71)%	3.38%	(3.31)%	(17.41)%	(23.28)%	(15.18)%	(12.82)%	(11.86)%

Additional years will be provided as they become available.

FOUR WAY SPECIAL UTILITY DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS

YEAR ENDING DECEMBER 31,	ACTUARIALLY DETERMINED CONTRIBUTION	ACTUAL EMPLOYER CONTRIBUTION	CONTRIBUTION DEFICIENCY (EXCESS)	PENSIONABLE COVERED PAYROLL	ACTUAL CONTRIBUTION AS A % OF COVERED PAYROLL
2014	\$ 7 861	\$ 10 566	\$ (2 705)	\$ 211 323	5.0%
2015	\$ 6 220	\$ 10 506	\$ (4 286)	\$ 210 122	5.0%
2016	\$ 5 442	\$ 11 338	\$ (5 896)	\$ 226 768	5.0%
2017	\$ 3 749	\$ 11 913	\$ (8 435)	\$ 238 263	5.0%
2018	\$ 3 184	\$ 12 342	\$ (9 158)	\$ 246 848	5.0%
2019	\$ 2 481	\$ 13 486	\$ (11 005)	\$ 269 713	5.0%
2020	\$ 12 649	\$ 14 881	\$ (2 232)	\$ 297 617	5.0%
2021	\$ 12 032	\$ 14 532	\$ (2 499)	\$ 290 631	5.0%
2022	\$ 18 916	\$ 21 995	\$ (3 079)	\$ 314 220	7.0%
2023	\$ 18 219	\$ 23 401	\$ (5 182)	\$ 334 299	7.0%

See independent auditor's report.

SUPPLEMENTARY INFORMATION

FOUR WAY SPECIAL UTILITY DISTRICT
SUPPLEMENTAL SCHEDULES INCLUDED WITHIN THIS REPORT
Year Ended December 31, 2024

- (X) D. Notes Required by the Water District Accounting Manual
- (X) E. TSI-1. Services and Rates
- (X) F. TSI-2. Enterprise Fund Expenses
- (X) G. TSI-3. Temporary Investments
- (X) H. TSI-4. Taxes Levied and Receivable
- (X) I. TSI-5. Long-Term Debt Service Requirements by Years
- (X) J. TSI-6. Changes in Long-Term Bonded Debt
- (X) K. TSI-7c. Comparative Schedule of Revenues and Expenses - Five Years
- (X) L. TSI-8. Board Members, Key Personnel and Consultants
- (X) M. Schedule of Budgeted Revenues and Expenses - Budget and Actual - Enterprise Fund

FOUR WAY SPECIAL UTILITY DISTRICT
NOTES REQUIRED BY THE WATER DISTRICT ACCOUNTING MANUAL
Year Ended December 31, 2024

Schedule D

NOTE A - CREATION OF DISTRICT

See Notes to Financial Statements.

NOTE B - PLEDGE OF REVENUES

The Revenue Bonds are payable from and secured by the proceeds of the net revenues to be received from the operation of the District's waterworks system.

NOTE C - COMPLIANCE WITH DEBT SERVICE REQUIREMENTS

Deposits are being made to the bond fund as required and the bond fund is being utilized according to the provisions of the bond resolutions.

NOTE D - REDEMPTION OF BONDS

The Revenue Notes, Series 2014, were callable after June 24, 2019. This note was paid off in the current year.

NOTE E - PENSION COVERAGE FOR DISTRICT EMPLOYEES

The District has a retirement plan with Texas County and District Retirement System (Note 5).

FOUR WAY SPECIAL UTILITY DISTRICT
TSI-1. SERVICES AND RATES
For the Year Ended December 31, 2024

Schedule E

1. The District Provides services for retail water.

2. Retail Service Providers:

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

	MINIMUM CHARGE	MINIMUM USAGE	FLAT RATE Y/N	RATE PER 1000 GALLONS OVER MINIMUM USE	USAGE LEVELS
Water	\$29.00	0	Yes	\$4.00	N/A to N/A
Wastewater	N/A				
Surcharge	N/A				

The District does not employ winter averaging for wastewater usage.

b. Water and Wastewater Retail Connections:

METER SIZE	TOTAL CONNECTIONS	ACTIVE CONNECTIONS	ESFC FACTOR	ACTIVE ESFC'S
Unmetered	-	-	x 1.0	-
5/8"	2 531	2 293	x 1.0	2 293
3/4"	9	9	x 1.5	13.5
1"	17	17	x 2.5	42.5
1 1/2"	9	9	x 5.0	45
2"	3	3	x 8.0	24
3"	-	-	x 16.0	-
4"	-	-	x 25.0	-
6"	1	1	x 50.0	50
8"	-	-	x 80.0	-
10"	-	-	x 115.0	-
TOTAL WATER	<u>2 570</u>	<u>2 332</u>		
TOTAL WASTEWATER	<u>-</u>	<u>-</u>	x 1.0	-

3. Total Water Consumption (In Thousands) During The Fiscal Year:

Gallons pumped into system:	157,985
Gallons billed to customers:	138,823
Water accountability ratio:	0.88 (gallons billed/gallons pumped)

4. Standby Fees:

The District does not maintain standby fees.

The District does not have Operation and Maintenance standby fees.

5. Location of District:

The District is located entirely within one county - Angelina County. The District is partially located within the City of Huntington. It is not within a city's extra territorial jurisdiction (ETJ). The City of Huntington does not have ETJ and the Board members are not appointed by any office outside the District.

FOUR WAY SPECIAL UTILITY DISTRICT
 TSI-2. ENTERPRISE FUND EXPENSES
 For the Year Ended December 31, 2024

Schedule F

Personnel expenditures (including benefits)	\$ 380 826
Professional Fees:	
Accounting and auditing services	15 200
Legal	501
Engineering	475
Utilities	99 948
Repairs and maintenance	182 803
Administrative Expenses:	
Office supplies and postage	30 581
Insurance	93 207
Dues and fees - Regulatory	10 203
Other administrative expenses	171 337
Depreciation expense	<u>324 995</u>
TOTAL EXPENSES	<u>\$ 1 310 076</u>

Number of persons employed by the District: Five Full-time

FOUR WAY SPECIAL UTILITY DISTRICT
TSI-3. TEMPORARY INVESTMENTS
For the Year Ended December 31, 2024

Schedule G

FUND	IDENTIFICATION OR CERTIFICATION NUMBER	INTEREST RATE	MATURITY DATE	BALANCE AT END OF YEAR	ACCRUED RECEIVABLE AT END OF YEAR
<u>Proprietary Fund</u>					
Certificate of Deposit	736430-0100	3.14%	09/23/2029	\$ 136 878	\$ -
Certificate of Deposit	200022997	4.06%	06/07/2026	129 929	-
Certificate of Deposit	962631	4.81%	07/10/2025	213 376	-
Certificate of Deposit	**352	4.10%	Monthly	916 186	-
Certificate of Deposit	0160900	4.90%	02/19/2025	240 842	-
Money Market Account	736430	1.06%	-	121 152	-
Money Market Account	209175148	0.01%	-	9 073	-
Money Market Account	1807541-8	1.15%	-	<u>6 056</u>	<u>-</u>
TOTAL FUND				\$ <u>1 773 492</u>	\$ <u>-</u>

See independent auditor's report.

FOUR WAY SPECIAL UTILITY DISTRICT
 TSI-4. TAXES LEVIED AND RECEIVABLE
 Year Ended December 31, 2024

Schedule H

	DEBT SERVICE TAXES AD VALOREM TAX	SPECIAL BENEFITS TAX
Taxes receivable at beginning of year	\$ -	\$ -
2024 tax roll	-	-
Adjustments	-	-
TOTAL TO BE ACCOUNTED FOR	-	-
Tax Collections:		
Current year levy	-	-
Prior year levies	-	-
TOTAL COLLECTIONS	-	-
Taxes receivable at end of year	\$ -	\$ -

NOTE: The District neither levies nor collects taxes.

FOUR WAY SPECIAL UTILITY DISTRICT
 TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS
 December 31, 2024

Schedule I

DUE DURING FISCAL YEARS ENDING	PRINCIPAL DUE MONTHLY	INTEREST DUE MONTHLY	TOTAL
2025	\$ 9 249	\$ 301	\$ 9 550
TOTAL	\$ 9 249	\$ 301	\$ 9 550

See independent auditor's report.

FOUR WAY SPECIAL UTILITY DISTRICT
 TSI-6. CHANGES IN LONG-TERM BONDED DEBT
 For Fiscal Year Ended December 31, 2024

Schedule J

	BOND ISSUES
	<u>SERIES</u>
	<u>2014</u>
Interest Rate	3.30%
Dates Interest Payable	Monthly
Maturity Dates	04/15/2024
Beginning Bonds Outstanding	\$ 141 509
Bonds Issued During the Fiscal Year	-
Bonds Retired During the Fiscal Year	(141 509)
Bonds Refunded During the Fiscal Year	-
Ending Bonds Outstanding	\$ <u><u>-</u></u>
Interest Paid During the Fiscal Year	\$ <u><u>1 821</u></u>

FOUR WAY SPECIAL UTILITY DISTRICT
TSI-7a. COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES
Five Years Ended December 31,

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues:					
Water sales	\$ 1 397 087	\$ 1 478 443	\$ 1 370 057	\$ 1 293 822	\$ 1 257 526
Connection fees	209 848	147 312	143 284	97 048	90 172
Penalties	<u>32 244</u>	<u>33 203</u>	<u>34 105</u>	<u>18 296</u>	<u>18 805</u>
TOTAL OPERATING REVENUES	<u>1 639 179</u>	<u>1 658 958</u>	<u>1 547 446</u>	<u>1 409 166</u>	<u>1 366 503</u>
Operating Expenses:					
Payroll costs	380 826	367 316	341 988	315 766	389 809
Professional fees	16 176	17 360	16 108	16 702	15 824
Utilities	99 948	109 610	92 870	96 611	98 301
Repairs and maintenance	182 803	275 584	249 437	155 319	114 730
Administrative expenses	305 328	267 079	290 165	261 715	259 792
Depreciation expense	<u>324 995</u>	<u>313 286</u>	<u>282 428</u>	<u>283 611</u>	<u>272 252</u>
TOTAL OPERATING EXPENSES	<u>1 310 076</u>	<u>1 350 235</u>	<u>1 272 996</u>	<u>1 129 724</u>	<u>1 150 708</u>
OPERATING INCOME	<u>329 103</u>	<u>308 723</u>	<u>274 450</u>	<u>279 442</u>	<u>215 795</u>
Nonoperating Revenues (Expenses):					
Interest income	68 289	41 676	8 370	10 948	15 017
Interest expense	(2 065)	(7 631)	(19 253)	(28 299)	(37 157)
Gain (loss) on asset disposal	38 343	14 103	-	(930)	-
Miscellaneous income	98 664	11 780	4 082	1 520	10 153
Project reimbursements	<u>302</u>	<u>-</u>	<u>-</u>	<u>281 006</u>	<u>-</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>203 533</u>	<u>59 928</u>	<u>(6 801)</u>	<u>264 245</u>	<u>(11 987)</u>
CHANGE IN NET POSITION	<u>\$ 532 636</u>	<u>\$ 368 651</u>	<u>\$ 267 649</u>	<u>\$ 543 687</u>	<u>\$ 203 808</u>
Total active retail water and/or wastewater connections	<u>2 335</u>	<u>2 298</u>	<u>2 183</u>	<u>2 203</u>	<u>2 183</u>

See independent auditor's report.

PERCENT OF TOTAL OPERATING REVENUE				
2024	2023	2022	2021	2020
85.2 %	89.1 %	88.5 %	91.8 %	92.0 %
12.8	8.9	9.3	6.9	6.6
2.0	2.0	2.2	1.3	1.4
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
23.2	22.2	15.5	22.7	28.5
1.0	1.0	1.0	1.2	1.2
6.1	6.6	6.0	6.9	7.2
11.2	16.6	16.1	11.0	8.4
18.6	16.1	18.8	18.6	19.0
19.8	18.9	18.3	20.1	19.9
<u>79.9</u>	<u>81.4</u>	<u>75.7</u>	<u>80.5</u>	<u>84.2</u>
<u>20.1</u>	<u>18.6</u>	<u>24.3</u>	<u>19.5</u>	<u>15.8</u>
4.2	2.5	0.5	0.8	1.1
(0.1)	(0.5)	(1.2)	(2.0)	(2.7)
2.3	0.9	-	0.1	0.7
6.0	0.7	0.3	(0.1)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>19.9</u>	<u>-</u>
<u>12.4</u>	<u>3.6</u>	<u>(0.4)</u>	<u>18.8</u>	<u>(0.9)</u>
<u>32.5 %</u>	<u>22.2 %</u>	<u>23.9 %</u>	<u>38.3 %</u>	<u>14.9 %</u>

FOUR WAY SPECIAL UTILITY DISTRICT
 TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
 December 31, 2024

District Mailing Address: P. O. Box 250, Huntington, Texas 75949-0250

District Business Telephone Number: 936.422.4188

Submission Date of the most recent District Registration Form

(TWC Section 36.054 and 49.054): May 19, 2023

Limit on Fees of Office that the Director may receive during a fiscal year: No limit set (Set by Board Resolution - TWC Section 49.060)

NAMES	TERMS OF OFFICE (ELECTED OR APPOINTED) OR DATE HIRED	FEES FYE 12/31/2024	EXPENSE REIMBURSEMENTS FYE 12/31/2024	TITLE AT YEAR END
<u>Board Members:</u>				
Roger Sanders	05/2022 - 05/2025 Elected	\$ 549	\$ -	President
Don Willis	05/2024 - 05/2027 Elected	\$ 599	\$ -	Vice-President
Judy Runnels	05/2023 - 05/2026 Elected	\$ 599	\$ -	Secretary/Treasurer
Gay Walker	05/2022 - 05/2025 Elected	\$ 549	\$ -	Director
James Kirkland	05/2024 - 05/2027 Elected	\$ 599	\$ -	Director
Barbara Innerarity	05/2023 - 05/2026 Elected	\$ 549	\$ -	Director
<u>Key Administrative Personnel:</u>				
Tommy Carswell	08/01/1990	\$ 98 416	\$ -	General Manager
<u>Consultants:</u>				
Gregory Longino	01/01/2014	\$ 501	\$ -	Attorney
Goodwin/Lasiter, Inc.	01/01/2014	\$ 1 060	\$ -	Engineer
Tom Tayloe, CPA	01/01/2014	\$ 3 700	\$ -	Accountant
Axley & Rode LLP, CPA	12/30/2015	\$ 11 500	\$ -	Auditor

See independent auditor's report on supplementary information.

FOUR WAY SPECIAL UTILITY DISTRICT
SCHEDULE OF BUDGETED (NON-GAAP BASIS) REVENUES AND EXPENSES
For the Year Ended December 31, 2024

Schedule M

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Operating Revenues:			
Water sales	\$ 1 400 000	\$ 1 397 087	\$ (2 913)
Connection fees	140 000	209 848	69 848
Penalties	32 000	32 244	244
TOTAL OPERATING REVENUES	1 572 000	1 639 179	67 179
Operating Expenses:			
Payroll costs	336 492	380 826	(44 334)
Professional fees	20 000	16 176	3 824
Utilities	110 000	99 948	10 052
Repairs and maintenance	318 000	182 803	135 197
Administrative expense	336 982	305 328	31 654
Depreciation expense	285 000	324 995	(39 995)
TOTAL OPERATING EXPENSES	1 406 474	1 310 076	96 398
OPERATING INCOME	165 526	329 103	163 577
Non-Operating Revenues (Expenses):			
Gain on sale of assets	-	38 343	38 343
Interest income	35 000	68 289	33 289
Interest expense	(1 821)	(2 065)	(244)
Miscellaneous income	2 500	98 966	96 466
TOTAL NON-OPERATING REVENUES (EXPENSES)	35 679	203 533	167 854
CHANGE IN NET POSITION	\$ 201 205	\$ 532 636	\$ 331 431

See independent auditor's report.

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTY OF: ANGELINA }

I _____
(Printed: Name of President, Chairman, Director or Attorney)

of the _____ FOUR WAY SPECIAL UTILITY DISTRICT _____
(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at the meeting of the District's Board of Directors on the 18th day of March, its annual report for the fiscal period ended December 31, 2024 and that copies of the annual audit report have been filed in the District's office, located at 411 N Main Street, Huntington, Texas 75949.

This 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 the Texas Water Code Section 49.194.

_____ ANGELINA _____
(Name of City or County where audit report is filed)

Date: _____ 20_____. _____
(Signature of District Official)

(Title of District Official)

(Typed Name of District Official)

Sworn to and subscribed to before me this _____ day of _____, 20_____.

(Signature of Notary)

(Seal)

(Printed Name of Notary)

My Commission Expires On: _____
Notary Public in and for the State of Texas

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*

Board of Directors
Four Way Special Utility District
Huntington, Texas

We have audited the financial statements of Four Way Special Utility District as of December 31, 2024. We have issued our report on the financial statements as of March 18, 2025. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lufkin, Texas
March 18, 2025


CERTIFIED PUBLIC ACCOUNTANTS