

**AUDIT REPORT**

**FOUR WAY WATER SPECIAL  
UTILITY DISTRICT**

**December 31, 2014**

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# ANNUAL FILING AFFIDAVIT

STATE OF TEXAS            }  
COUNTY OF ANGELINA    }

I, James E Eaves, of the Four Way Special Utility District hereby swear, or affirm, that the District above has reviewed and approved at the meeting of the District's Board of Directors on the 12<sup>th</sup> day of May, 2015 its annual audit report for the fiscal period ended December 31, 2014 and that copies of the annual audit report have been filed in the District's office, located at 411 N Main Street, Huntington, TX 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.

Date: \_\_\_\_\_, \_\_\_\_\_ By: \_\_\_\_\_  
\_\_\_\_\_

Sworn to and subscribed to before me this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_  
\_\_\_\_\_

My Commission Expires On: \_\_\_\_\_, \_\_\_\_\_.

Notary Public in the State Of Texas.

**M. Diana Haney**  
CERTIFIED PUBLIC ACCOUNTANT  
108 East Hospital Street, Suite 100  
NACOGDOCHES, TEXAS 75961

936/560-0203  
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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Four Way Special Utility District

I have audited the accompanying financial statements of Four Way Special Utility District which comprise the statement of net position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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

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

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the statement of net position of Four Way Special Utility District as of December 31, 2014, 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.

### **Other-Matter**

In accordance with *Government Auditing Standards*, I have also issued a report dated May 5, 2015 on my consideration of Four Way Special Utility District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of my 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 my audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I have not audited the information and express no opinion on it.

*M Diana Haney, CPA*

M. Diana Haney, CPA

Nacogdoches, TX

May 5, 2015

FOUR WAY SPECIAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2014

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, 2014. 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.

On 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 is a political subdivision, and can issue revenue bonds on the open market or for purchase by the Texas Water Development Board (TWDB). An 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 2000 customers.

**FINANCIAL HIGHLIGHTS**

- The District's total assets exceeded liabilities by \$5,260,652 on December 31, 2014 as a result of the year's operations.
- The District's total assets were \$7,869,260; of this amount \$4,587,208 represents capital assets, and \$3,167,798 represents cash and cash equivalents.
- Liabilities for the District totaled \$2,608,608.
- Operating revenues for the District at year end were \$1,128,007 and exceeded operating expense by \$249,069. The major revenue sources that contributed to the District were water sales.

FOUR WAY SPECIAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
December 31, 2014

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the District's basis financial statements. Three components comprise the District's basic financial statements: (1) business-type activities financial statements, (2) notes to financial statements, and (3) required supplementary information. This report also contains other Texas supplementary information in addition to the basic financial statements themselves.

***Enterprise Funds***

Enterprise Funds (Proprietary Fund) are used to report the same functions presented as business-type activities in the basis financial statements. This District has only one major Enterprise Fund.

***Notes to Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

***Statement of Net Position***

The statement of net position for the District is similar in many ways to the balance sheet presented as a basic financial statement for private-sector companies. The statement of net position include all of the District's assets and liabilities. A major function of the statement of net position is to measure the ability of the District to meet its current and long-term obligations. Perhaps the biggest difference between the statements of net position and the private-sector balance sheet is in the reporting of the difference between total assets and total liabilities. In the balance sheet of a private-sector business, the difference between the total assets and total liabilities is a measure of the value of the business that the owners would realize if they sell their share.

Instead of measuring the "owners' equity," state and local governments report the net value of "net position" in these major categories:

- Invested in capital assets – net of related debt
- Restricted
- Unrestricted

Since the "owners" of the District are ultimately the citizens of the state of Texas and not an individual or group of investors, GASB believes it is more useful for the reader of the basic financial statements to know whether the "net position" were invested in capital assets, are restricted for future use, or their future use is unrestricted.

FOUR WAY SPECIAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
December 31, 2014

***Required Supplementary Information***

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule. It provides detail comparisons of expenditures. Comparisons can be made between the original budget, final budget, and actual costs of the year.

**FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a financial statement position. In the case of the District, assets exceeded liabilities by \$5,260,652 at the close of the year ended December 31, 2014.

There are \$2,196,304 of net position that represent capital assets – net of related debt. There are restricted net position which represents utility deposits of \$200,400. The remaining balance of \$473,044 represents unrestricted net position that may be used to meet the District's ongoing obligations.

***Statements of Revenues, Expenses, and Changes in Fund Net Position***

The statements of revenues, expenses, and changes in fund net position serve as similar function to the statements of income for private-sector businesses. Unlike private-sector businesses, the District does not seek to earn a profit in the long-term. However, the District must cover its operations, maintenance, and other costs annually from fees and charges since the District does not levy or collect any tax revenue. The statements of revenues, expenses, and changes in fund net position measures how well annual cost are covered by fees and charges.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of 2014, the District had \$7,446,621 invested in a broad range of capital assets, including facilities and equipment for transportation, administration, and maintenance.

***Bond Payable***

On July 1, 2015, the District borrowed \$2,500,000 from Regions Bank.



FOUR WAY SPECIAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
December 31, 2014

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

There are currently no known or anticipated economic factors affecting next year's budget. No significant changes to the District's budget for 2015 are expected.

**CONTRACTING 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 PO Box 250, Huntington, TX 75949-0250.

FOUR WAY SPECIAL UTILITY DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2014

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 3 167 798
Accounts Receivable	96 714
Accrued Interest Receivable	796
Prepaid Insurance	13 285
Prepaid Payroll Taxes	3 459
Total Capital Assets	3 282 052

Capital Assets

Land and Easements	212 039
Buildings, Office Equipment, Automobiles, Water Distribution System, Wells and Plants, net	4 068 570
Construction in Progress	306 599
Total Capital Assets	4 587 208

Total Assets	7 869 260
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LIABILITIES

Current Liabilities

Accounts Payable	362
Accrued Well Lease Lufkin Industries	12 045
Accrued Payroll Taxes Payable	41
Retirement Payable	1 362
Interest Payable	3 459
Volunteer Fire Department Donations	35
Deposits Payable	200 400
Current Portion of Bond Payable	217 763
Total Current Liabilities	435 467

Non-Current Liabilities

Bond Payable	2 173 141
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Total Liabilities	2 608 608
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NET POSITION

Net Investment in Capital Assets	4 587 208
Restricted – Utility Deposits	200 400
Unrestricted	473 044
Total Net Position	\$ 5 260 652

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

FOUR WAY SPECIAL UTILITY DISTRICT  
STATEMENT OF ACTIVITIES  
PROPRIETARY FUND  
For the Year Ended December 31, 2014

OPERATING REVENUES	
Water Sales	\$ 1 042 758
Connection Fees	51 358
Penalties	33 891
Total Operating Revenues	<u>1 128 007</u>
OPERATING EXPENSES	
Advertising	1 560
Auto Expense	22 652
Bank Charges	21 666
Chlorine and Chemicals	13 213
Depreciation	231 213
Dues and Subscriptions	10 755
Maintenance Agreement	7 221
Insurance	38 763
Legal and Professional	31 296
Leak	3 028
Licenses and Permits	8 517
Miscellaneous	1 117
Office Expense	7 025
Payroll Taxes	16 250
Pension Expense	10 585
Postage and Billing Cards	10 236
Repairs and Maintenance	75 538
Salaries	211 326
Seminars	7 749
Supplies	14 278
Telephone	8 304
Travel	1 250
Utilities	101 369
Water Testing	8 752
Water – Lufkin Industries	3 228
Well Lease – Lufkin Industries	12 047
Total Operating Expenses	<u>878 938</u>

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

FOUR WAY SPECIAL UTILITY DISTRICT  
STATEMENT OF ACTIVITIES  
PROPRIETARY FUND  
For the Year Ended December 31, 2014

NON-OPERATING REVENUES (EXPENSES)	
Interest Income	\$ 9 459
Interest Expense	(41 633)
Total Non-operating Revenues (Expenses)	<u>(32 174)</u>
Change in Net Position	216 895
Net Position, January 1	<u>5 043 757</u>
Net Position, December 31	<u>\$ 5 260 652</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, 2014

NET CASH FLOW FROM OPERATING ACTIVITIES	
Increase in Net Position	\$ 216 895
Adjustments to Reconcile Net Position to Net Cash Used in Operations	
Depreciation	231 213
(Increase) in Accounts Receivable	(6 367)
(Increase) in Interest Receivable	(51)
(Increase) in Prepaid Expenses	(6 721)
(Decrease) in Accounts Payable	(26 968)
(Decrease) in Payroll Taxes Payable	(1 092)
(Decrease) in Retirement Payable	(8 916)
(Decrease) in TCEQ Assessment	(4 905)
(Decrease) in Volunteer Fire Dept Donations	(1 749)
(Decrease) in Accrued Well Lease Lufkin	(1 091)
Increase in Deposits Payable	4 032
Increase in Accrued Interest Payable	3 459
Net Cash Provided by Operating Activities	<u>397 739</u>
Cash Flows from Investing Activities	
Purchase of Capital Assets	<u>(478 940)</u>
Net Cash Used by Investing Activities	<u>(478 940)</u>
Cash Flows from Financing Activities	
Principal Payments of Long-term Debt	(109 096)
Note Proceeds	2 500 000
Net Cash Provided by Financing Activities	<u>2 390 904</u>
Net Increase in Cash and Cash Equivalents	2 309 703
Cash and Cash Equivalents at January 1	<u>858 095</u>
Cash and Cash Equivalents at December 31	<u>\$ 3 167 798</u>
Interest Expense at December 31	<u>\$ (41,633)</u>

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

FOUR WAY SPECIAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

NOTE A – 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.

Proprietary Financial Statements and Basis of Accounting

The District's business-type activities include operations that rely to a significant extent on fees and charges for support. The Proprietary Fund is accounted for on a flow of economic resources measurement focuses and utilizes the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in a proprietary (enterprise) fund.

Other Accounting Policies

For purposes of the statement of cash flows for the proprietary fund, the District considers highly liquid investments to be cash equivalents if they have a maturity of less than a year when purchased. At year-end, the District's cash balances were deposited in six banks.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FOUR WAY SPECIAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
December 31, 2014

Accumulated Vacation and Sick Leave Benefits

The District does not allow employees to carryover unused vacation or sick days into the next fiscal year.

NOTE B – CASH AND CASH EQUIVALENTS

At December 31, 2014, the cash balance consists of the following:

Cash on Hand	\$	600
Cash Account		
Huntington State Bank - Operating		187 358
Regions Bank - Construction		2 252 574
Cash Equivalents (Time Deposits)		
East Tx Professional Cr Un-MM		113 717
East Tx Professional Cr Un-CD		106 893
First Bank & Trust-CD		112 073
Texas State Bank-CD		107 809
Genco Credit Union-MM		183 059
Regions Bank-MM		103 715
Total	\$	3 167 798

NOTE C – 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 years ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Proprietary Activities:				
Land and Easements	\$ 94 265	\$ 117 774	\$ 0	\$ 212 039
Buildings	331 557			331 557
Office Furniture and Equipment	304 558	28 703		333 261
Automobiles	140 785			140 785
Water Distribution System	1 812 096	40 188		1 852 284
Water Wells and Plants	4 225 229	48 503		4 273 732
Construction in Progress	59 191	325 397	81 625	302 963
	6 967 681	560 565	81 625	7 446 621
Less Accumulated Depreciation	(2 628 200)	(231 213)	0	(2 859 413)
	\$ 4 339 481	\$ 329 352	\$ 81 625	\$ 4 587 208

FOUR WAY SPECIAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
December 31, 2014

During the year ended on December 31, 2014, the District had construction cost incurred on water line upgrades/relocation and construction of a new office building in the amount of \$325,397.

NOTE D – LEASE AGREEMENT

In January 1982, the District leased a well from Lufkin Industries for a term of forty years. The lease could be canceled by either party giving the other party five years prior written notice of cancellation according to the terms of agreement. On April 27, 1983, Lufkin Industries amended the contract to provide the lease may be canceled by either party giving the other party two years written notice of cancellation.

Annual rental payments under the terms of the lease are \$13,136.00 from 1983 to 2021 and \$6,568.00 for the year 2022.

If at the end of any calendar year while the lease is in force, the total paid during the calendar year by Lufkin Industries to the District for treated water exceeds the total amount paid during that calendar year by the District to Lufkin Industries for untreated water, plus the annual rental payments mentioned above, then the District is to rebate Lufkin Industries an amount of money to make the sums equal.

The District is responsible for the operation and maintenance of the leased well.

NOTE E – PENSION PLAN

The District has a retirement plan covering employees with Texas County and District Retirement System. Under the plan, the District contributes 4.09% of each eligible employee's salary. Plan expenses incurred during the year ended December 31, 2014 are \$10,585.

*Annual Pension Cost.* The required contribution was determined as part of the December 31, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2013 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2013 was 30.0 years.

*Funded Status and Funding Progress.* As of December 31, 2013, the most recent actuarial valuation date, the plan was 106.89 percent funded. The actuarial accrued liability of benefits was \$85,518, and the actuarial value of assets was \$91,408, resulting in an unfunded actuarial accrued liability (UAAL) of (\$5,890). The covered payroll (annual payroll of active



FOUR WAY SPECIAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
December 31, 2014

employees covered by the plant) was \$198,104, and the ratio of the UAAL to the covered payroll was (2.97) percent.

NOTE F – CHANGES IN LONG-TERM DEBT

At December 31, 2014, long-term debt consists of a bond payable to Regions Bank in the amount of \$2,500,000 dated July 1, 2014. The outstanding balance at December 31, 2014 is \$2,390,904 with monthly payments of \$24,545 maturing June 1, 2024. The interest rate is fixed at 3.30%,

Long-term debt activity for the District for the year ended December 31, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Amount Issued</u>	<u>Amount Redeemed</u>	<u>Ending Balance</u>
Regions Bank	\$ 0	\$ 2 500 000	\$ 109 096	\$ 2 390 904

The annual requirement to amortize outstanding debt as of December 31, 2014 follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL REQUIREMENTS</u>
2015	\$ 217 763	\$ 76 777	\$ 294 540
2016	224 966	69 574	294 540
2017	232 806	61 734	294 540
2018	240 716	53 824	294 540
2019	248 894	45 646	294 540
2020-2024	1 225 759	99 671	1 325 430
TOTAL	<u>\$ 2 390 904</u>	<u>\$ 407 226</u>	<u>\$ 2 798 130</u>

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

Independent Auditor's Report

Board of Directors  
Four Way Special Utility District

Members of the Board:

I have audited the financial statements Four Way Special Utility District as of and for the year ended December 31, 2014. I have issued my report on them dated May 5, 2015.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Four Way Special Utility District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Four Way Special Utility District's internal control over financial reporting. Accordingly I do not express an opinion of the effectiveness of Four Way Special Utility District's internal control over financial reporting. A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of internal control over financial reporting was for the limited purpose

described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I considered to be material weaknesses as defined above. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

This report is intended for the information of the Board of Directors, the audit committee and the administration and is not intended to be used and should not be used by anyone other than these specified parties.

*M. Diana Haney, CPA*  
M. Diana Haney, CPA

Nacogdoches, TX  
May 5, 2015

FOUR WAY SPECIAL UTILITY DISTRICT  
 COMPARATIVE SCHEDULE OF REVENUE AND EXPENSES –  
 PROPRIETARY FUND  
 For The Year Ended December 31, 2014

	Amounts	Percent of Fund Total Revenues
<b>OPERATING REVENUES</b>		
Water Sales	\$ 1 042 758	92.44 %
Connection Fees	51 358	4.55 %
Penalties	33 891	3.01 %
Total Operating Revenues	1 128 007	100.00 %
 <b>OPERATING EXPENSES</b>		
Advertising	1 560	0.14 %
Auto Expense	22 652	2.01 %
Bank Charges	21 666	1.92 %
Chlorine and Chemicals	13 213	1.17 %
Depreciation	231 213	20.50 %
Dues and Subscriptions	10 755	0.95 %
Maintenance Agreement	7 221	0.64 %
Insurance	38 763	3.44 %
Leak Adjustment	31 296	2.77 %
Legal and Professional	3 028	0.27 %
Licenses and Permits	8 517	0.76 %
Miscellaneous	1 117	0.10 %
Office Expense	7 025	0.62 %
Payroll Taxes	16 250	1.44 %
Pension Expense	10 585	0.94 %
Postage and Billing Cards	10 236	0.91 %
Repairs and Maintenance	75 538	6.70 %
Salaries	211 326	18.73 %
Seminars	7 749	0.69 %
Supplies	14 278	1.27 %
Telephone	8 304	0.74 %
Travel	1 250	0.11 %
Utilities	101 369	8.99 %
Water Testing	8 752	0.78 %
Water-Lufkin Industries	3 228	0.29 %
Well Least-Lufkin Industries	12 047	1.07 %
Total Operating Expenses	878 938	77.95 %
 <b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income	9 459	0.84 %
Interest Expense	(41 633)	(3.69 %)
Total Non-operating Revenues (Expenses)	(32 174)	(2.85 %)
Change in Net Assets	\$ 216 895	19.20 %

FOUR WAY SPECIAL UTILITY DISTRICT  
 TEMPORARY INVESTMENTS  
 For The Year Ended December 31, 2014

<u>Fund</u>	<u>Identification or Certification Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Receivable at End of Year</u>
<u>Proprietary Fund</u>					
Money Market Account	736430	0.40%	12/31/14	\$ 113 717	\$ 0
Certificate of Deposit	736430-0100	1.69 %	09/23/19	106 893	0
Certificate of Deposit	200022997	2.34 %	07/02/16	112 073	647
Money Market Account	0209175148	0.80 %	12/31/14	103 715	0
Certificate of Deposit	43910	1.88 %	12/17/15	107 809	72
Money Market Account	1807541-8	0.50%	12/31/14	<u>183 059</u>	<u>0</u>
Total Fund				<u>\$ 727 266</u>	<u>\$ 719</u>

FOUR WAY SPECIAL UTILITY DISTRICT  
SERVICES AND RATES  
For The Year Ended December 31, 2014

1. The District provides services for retail water.

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
Water	\$ 22.00	0	Yes	\$ 3.60	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:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC's</u>
Unmetered	0	0	× 1.0	0
5/8"	2300	2061	× 1.0	2018
3/4"	8	8	× 1.5	12
1"	13	13	× 2.5	32.5
1 1/2"	4	4	× 5.0	20
2"	3	2	× 8.0	16
3"	0	0	× 15.0	0
4"	1	1	× 25.0	25
6"	1	1	× 50.0	50
8"	0	0	× 80.0	0
10"	0	0	× 115.0	0
Total Water	<u>2330</u>	<u>2090</u>		
Total Wastewater	<u>0</u>	<u>0</u>	× 1.0	<u>0</u>

3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand)

Gallons pumped into system: 165 671 000

Gallons billed to customers: 132 435 000

Water Accountability Ratio: 0.80 (Gallons billed/Gallons pumped)

FOUR WAY SPECIAL UTILITY DISTRICT  
SERVICES AND RATES - CONTINUED  
For The Year Ended December 31, 2014

4. Standby Fees (authorized only under TWC Section 49.231)

The District does not maintain standby fees

The District does not have Operation and Maintenance standby fees.

5. Location of the 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. 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  
 BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS  
 For The Year Ended December 31, 2014

District Mailing Address: PO Box 250, Huntington, Texas 75949-0250

District Business Telephone Number: (936) 422-4188

Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054: March 5, 2014

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)

<u>Names:</u>	<u>Term of Office (Elected or Appointed) Or Date Hired</u>	<u>Fees of Office Paid* (FYE date)</u>	<u>Expense Reimburse- ments (FYE date)</u>	<u>Title at Year End</u>
<b>Board Members:</b>				
James Eaves	(Elected) 05/11– 05/14	\$ 800.00	0	President
Roger Sanders	(Elected) 05/13 – 05/16	\$ 700.00	0	Vice-President
Judy Runnels	(Elected) 05/11 – 05/14	\$ 800.00	0	Secretary/ Treasurer
Gay Walker	(Elected) 05/13 – 05/16	\$ 750.00	0	Director
Don Willis	(Elected) 05/12 - 05/15	\$ 800.00	0	Director
Joyce Collins	(Elected) 05/12 – 05/15	\$ 850.00	0	Director
James Kirkland	(Elected) 05/12 - 05/15	\$ 700.00	0	Director



FOUR WAY SPECIAL UTILITY DISTRICT  
 BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS - CONTINUED  
 For The Year Ended December 31, 2014

<u>Names:</u>	<u>Term of Office (Elected or Appointed) Or Date Hired</u>	<u>Fees of Office Paid* (FYE date)</u>	<u>Expense Reimburse- ments (FYE date)</u>	<u>Title at Year End</u>
Key Administrative Personnel:				
Tommy Carswell	08/01/1990	\$ 68,576		General Manager
Consultants:				
Gregory Longino	01/01/2014	\$ 3,679		Attorney
Goodwin/Lasiter, Inc	01/01/2014	\$ 131,469		Engineer
Thelma Sherman R.T.A.	01/01/2014	-0-		Angelina Co. Tax Collector
M Diana Haney, CPA	01/01/2014	\$ 5,500		Auditor