



Four Way Special Utility District

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2025



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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, 2025, 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, 2025, 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 April 21, 2026 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.


CARR, RIGGS & INGRAM, L.L.C.

Lufkin, Texas
April 21, 2026

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, 2025. 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 \$8,034,437 on December 31, 2025 as a result of the year's operations.
- The District's total assets and deferred outflows were \$8,314,088; of this amount \$6,610,318 represents capital assets and \$1,703,770 represents cash and cash equivalents, other assets and deferred outflows.
- Liabilities and deferred inflow for the District totaled \$279,651.
- Operating revenues for the District at year end were \$1,699,757 and exceeded operating expense by \$242,873. The major revenue sources that contributed to the District were water sales.

Four Way Special Utility District Management's Discussion and Analysis (Continued)

Financial Analysis

Net Position: The District's net position was \$8,034,437 at December 31, 2025. (See Table 1)

Table 1
Net Position

<i>December 31,</i>	2025	2024	Total Percentage Change 2025-2024
Current assets	\$1,180,540	\$ 2,144,512	-44.95%
Restricted assets	408,658	241,450	69.25%
Capital assets	6,610,318	5,654,495	16.90%
Other assets	64,229	38,424	67.16%
Total assets	8,263,745	8,078,881	2.29%
Deferred outflows	50,343	50,388	
Current liabilities	259,758	400,527	-35.15%
Total liabilities	259,758	400,527	-35.15%
Deferred inflows	19,893	18,779	5.93%
Total net position	\$8,034,437	\$ 7,709,963	4.21%

The total net position increased \$324,474, which represents a combination of net operating profit of \$242,873 and net non-operating income of \$81,601.

The District's total revenues were \$1,781,658. A significant portion, 95 percent, of the District's revenues came from service revenues (sale of water) (See Table 2).

Table 2
Changes in Net Position

<i>December 31,</i>	2025	2024	Total Percentage Change 2025-2024
Operating Revenues			
Service revenues	\$ 1,699,757	\$ 1,639,179	3.70%
Total operating revenues	1,699,757	1,639,179	3.70%
Operating Expenses			
Payroll costs	420,125	380,826	10.32%
Professional fees	29,660	16,176	83.36%
Utilities	97,781	99,948	-2.17%
Repairs and maintenance	201,665	182,803	10.32%
Administrative expenses	383,701	305,328	24.52%
Depreciation expense	323,952	324,995	0.76%
Total operating expenses	1,456,884	1,310,076	11.21%
Operating income	242,873	329,103	-26.20%
Non-Operating Revenue (Expense)			
Other income	5,998	98,664	-93.92%
Interest income	69,653	68,289	2.00%
Interest expense	(300)	(2,065)	-85.47%
Gain on sale of asset	6,250	38,343	-83.70%
Project reimbursements	-	302	-100.00%
Total non-operating revenue (expense)	81,601	203,533	-59.91%
Net income	324,474	532,636	-39.08%
Net position at beginning of year	7,709,963	7,177,327	7.42%
Net position at end of year	\$ 8,034,437	\$ 7,709,963	4.21%

Four Way Special Utility District Management's Discussion and Analysis (Continued)

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, 2025, the District had invested \$6,610,318 in net capital assets consisting of the land, building, water equipment, vehicles, office equipment, and right of use assets. Approximately \$71,568 in capital assets were purchased in 2025.

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, 2025 was amended as needed and the District's net operating income was more than budget by \$45,563.

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 411 N Main Street, Huntington, Texas 75949-8420.

Four Way Special Utility District Statement of Activities – Proprietary Fund

<i>December 31,</i>	2025
Assets	
Current Assets	
Cash and cash equivalents	\$ 974,108
Accounts receivable	186,049
Prepaid insurance	20,383
Total current assets	1,180,540
Noncurrent Assets	
Restricted cash and cash equivalents	408,658
Capital Assets	
Land and easements	204,484
Buildings, office equipment, automobiles, water distribution system, wells and plants, right of use assets, net	4,956,356
Construction in progress	1,449,478
Total capital assets	6,610,318
Net pension asset	64,229
Total noncurrent assets	7,083,205
Deferred Outflows	
Deferred outflows - pension	50,343
Total deferred outflows	50,343
Total assets and deferred outflows	8,314,088
Liabilities	
Current Liabilities	
Accrued expenses	15,690
Interest payable	268
Deposits payable	243,800
Total current liabilities	259,758

**Four Way Special Utility District
Statement of Activities – Proprietary Fund**

<i>December 31,</i>	2025
Operating Revenues	
Water sales	\$ 1,504,706
Connection fees	167,331
Penalties	27,720
Total operating revenues	1,699,757
Operating Expenses	
Payroll costs	420,125
Professional fees	29,660
Utilities	97,781
Repairs and maintenance	201,665
Administrative expenses	383,701
Depreciation expense	323,952
Total operating expenses	1,456,884
Operating income	242,873
Non-Operating Revenues (Expenses)	
Gain (loss) on sale of asset	6,250
Interest income	69,653
Interest expense	(300)
Miscellaneous income	5,998
Total non-operating revenues (expenses)	81,601
Change in net position	324,474
Net position, beginning of year	7,709,963
Net position, end of year	\$ 8,034,437

Four Way Special Utility District
Statement of Cash Flows – Proprietary Fund

<i>December 31,</i>	2025
Cash Flows from Operating Activities	
Operating income	\$ 242,873
Adjustments to Reconcile Net Position to Net Cash Used in Operations	
Depreciation	323,952
Gain on disposal of fixed assets	6,250
(Increase) in accounts receivable	(9,196)
(Increase) in prepaid expenses	(1,766)
(Increase) in deferred outflow - Pension	45
(Increase) in net pension asset	(25,805)
(Decrease) in accounts payable	(120,031)
(Decrease) in retirement payable	(13,839)
Increase in deferred inflows - Pension	1,114
Net cash provided by operating activities	403,597
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(1,333,080)
Principal paid on long term debt	(9,249)
Interest paid on long term debt	(300)
Increase in deposits payable	2,350
Net cash provided by capital and related financing activities	(1,340,279)
Cash Flows from Investing Activities	
Proceeds from sale of capital assets	53,305
Interest on cash and investments	69,653
Other non-operating income	5,998
Net cash provided by investing activities	128,956
Net decrease in cash and cash equivalents	(807,726)
Cash and cash equivalents, beginning of year	2,190,492
Cash and cash equivalents, end of year	\$ 1,382,766

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.

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.

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.

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.

Four Way Special Utility District Notes to Financial Statements (Continued)

Note 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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.

Four Way Special Utility District Notes to Financial Statements (Continued)

Note 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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."

Subsequent Events

Management has evaluated subsequent events through April 21, 2026, 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, 2025. Additionally, the District's investment practices were in accordance with local policies.

At December 31, 2025, the carrying amount of the District's deposits (cash, certificates of deposit and interest-bearing accounts in temporary investments) was \$1,382,766, and the bank balance was \$1,397,860.

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, 2025 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, 2025, 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	\$ 1,397,860	\$ -	\$ -	\$ 1,397,860	\$ -

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, 2025, was as follows:

	Balance 12/31/2024	Additions	Deletions	Balance 12/31/2025
Capital Assets Not Being Depreciated				
Land	\$ 204,484	\$ -	\$ -	\$ 204,484
Construction in process	187,967	1,261,511	-	1,449,478
Total capital assets not being depreciated	392,451	1,261,511	-	1,653,962
Capital Assets Being Depreciated				
Buildings	970,513	-	-	970,513
Company vehicles	210,786	-	-	210,786
Furniture and equipment	567,349	4,679	(12,911)	559,117
Water system	4,103,442	-	-	4,103,442
Wells and plants	4,469,599	66,889	(192,923)	4,343,565
Right of use assets	25,584	-	-	25,584
Total capital assets being depreciated	10,347,273	71,568	(205,834)	10,213,007
Allowance for depreciation	(5,085,228)	(323,952)	152,529	(5,256,651)
Total capital assets being depreciated, net	5,262,044	(252,384)	(53,305)	4,956,356
Total capital assets, net	\$ 5,654,495	\$ 1,009,127	\$ (53,305)	\$ 6,610,318

Four Way Special Utility District Notes to Financial Statements (Continued)

Note 4: CHANGES IN LONG-TERM DEBT

Long-term debt activity for the District for the year ended December 31, 2025, was as follows:

	Beginning Balance	Amount Issued	Amount Redeemed	Ending Balance
Right of use payables	\$ 9,249	\$ -	\$ (9,249)	\$ -
Total	\$ 9,249	\$ -	\$ (9,249)	\$ -

Note 5: PENSION PLAN

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.

Four Way Special Utility District Notes to Financial Statements (Continued)

Note 5: PENSION PLAN

Membership Information

Members	December 31,	
	2023	2024
Number of Inactive Employees Entitled to but Not Yet Receiving Benefits	4	4
Number of Active Employees	5	7
Average Monthly Salary*	\$ 4,929	\$ 4,635
Average Age*	45.71	38.78
Average Length of Service in Years*	15.77	12.08

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

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, 2024 actuarial valuation analysis for the District. This information may also be found in the Four Way Special Utility District December 31, 2024 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.

Four Way Special Utility District Notes to Financial Statements (Continued)

Note 5: PENSION PLAN (Continued)

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.

**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.

Four Way Special Utility District Notes to Financial Statements (Continued)

Note 5: PENSION PLAN (Continued)

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.

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.

Four Way Special Utility District Notes to Financial Statements (Continued)

Note 5: PENSION PLAN (Continued)

**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.

Four Way Special Utility District Notes to Financial Statements (Continued)

Note 5: PENSION PLAN (Continued)

**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.*

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.

Four Way Special Utility District Notes to Financial Statements (Continued)

Note 5: PENSION PLAN (Continued)

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	13.00%	5.35%
Global Equities	MSCI World (net) Index	4.00%	5.15%
International Equities - Developed	MSCI World Ex USA (net) Index	6.00%	4.75%
International Equities - Emerging	MSCI Emerging Markets (net) Index	0.00%	4.75%
Investment-Grade Bonds	Bloomberg US Aggregate Bond Index	3.00%	2.55%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.70%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.85%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽³⁾	4.00%	6.80%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.95%
Master Limited Partnerships	Alerian MLP Index	2.00%	4.95%
Commodities	Bloomberg Commodities Index	2.00%	1.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	5.75%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	25.00%	8.15%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	3.60%
Cash Equivalents	90-Day U. S. Treasury	2.00%	1.10%

⁽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 2.35%, per Cliffwater's 2025 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.

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.

Four Way Special Utility District Notes to Financial Statements (Continued)

Note 5: PENSION PLAN (Continued)

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.
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.

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	\$ 716,622	\$ 622,626	\$ 543,216
Fiduciary net position	\$ 686,856	\$ 686,855	\$ 686,856
Net pension liability/(asset)	\$ 29,766	\$ (64,229)	\$ (143,640)

Four Way Special Utility District Notes to Financial Statements (Continued)

Note 5: PENSION PLAN (Continued)

Changes in Net Pension Liability/(Asset)

Changes in Net Pension Liability/(Asset)	Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Pension (b)	Net Pension Liability/ (Asset) (a) - (b)
Balances as of December 31, 2023	\$ 544,467	\$ 582,890	\$ (38,423)
Changes for the Year			
Service cost	28,301	-	28,301
Interest on total pension liability ⁽¹⁾	43,530	-	43,530
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	6,328	-	6,328
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	(374)	374
Member contributions	-	17,326	(17,326)
Net investment income	-	60,297	(60,297)
Employer contributions	-	24,255	(24,255)
Other ⁽²⁾	-	2,461	(2,461)
Balances as of December 31, 2024	\$ 622,626	\$ 686,855	\$ (64,229)

(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.

Pension Expense and Deferred Inflows/Outflows

As of December 31, 2025, 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	\$ 15,236	\$ 12,305
Change of assumptions	254	17,966
Net difference between projected and actual earnings	4,403	-
Contributions made subsequent to measurement date	-	20,072
Total	\$ 19,893	\$ 50,343

**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:

Year Ended December 31,		
2026	\$	(2,938)
2027	\$	8,513
2028	\$	(5,076)
2029	\$	(1,862)
2030	\$	1,184
Thereafter	\$	10,557

Four Way Special Utility District Schedule of Changes in Net Pension Liability and Related Ratios

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ 28,301	\$ 30,941	\$ 25,232	\$ 28,825	\$ 24,130	\$ 19,070	\$ 17,911	\$ 17,527	\$ 17,734	\$ 13,718
Interest (on the total pension liability)	43,530	38,767	34,197	32,061	27,111	18,368	15,542	13,125	10,174	8,554
Changes of benefit terms	-	-	-	-	-	64,737	-	-	-	(2,953)
Difference between expected and actual experience	-	-	-	973	29,477	-	-	(926)	-	805
Change of assumptions	6,328	(2,524)	6,592	(20,718)	1,735	698	283	(271)	(308)	(3,141)
Benefit payments, including refunds of employee contributions	-	(3,683)	(19,223)	-	-	-	-	-	-	-
Net change in total pension liability	78,159	63,501	46,798	41,141	82,453	102,873	33,736	29,455	27,600	16,983
Total pension liability - Beginning	544,467	480,966	434,168	393,027	310,574	207,701	173,965	144,510	116,910	99,927
Total pension liability - Ending	622,626	544,467	480,966	434,168	393,027	310,574	207,701	173,965	144,510	116,910
Plan Fiduciary Net Position										
Contributions - Employer	24,255	23,401	21,995	14,532	14,881	13,486	12,342	11,913	11,338	10,506
Contributions - Employee	17,326	16,715	15,711	14,532	14,881	13,486	12,342	11,913	11,338	10,506
Net investment income	60,297	54,264	(30,896)	87,461	33,069	41,139	(3,999)	26,502	10,756	(2,052)
Benefit payments, including refunds of employee contributions	-	(3,683)	(19,223)	-	-	-	-	-	-	-
Administrative	(374)	(304)	(287)	(271)	(285)	(243)	(201)	(153)	(117)	(98)
Other	2,460	2,021	3,019	929	920	966	758	318	1,779	(12)
Net change in plan fiduciary net position	103,964	92,414	(9,681)	117,183	63,466	68,834	21,242	50,493	35,094	18,850
Plan fiduciary net position - Beginning	582,891	490,477	500,158	382,975	319,509	250,675	229,433	178,940	143,846	124,996
Plan fiduciary net position - Ending	686,855	582,891	490,477	500,158	382,975	319,509	250,675	229,433	178,940	143,846
Net pension asset - Ending	\$ (64,229)	\$ (38,424)	\$ (9,511)	\$ (65,990)	\$ 10,052	\$ (8,935)	\$ (42,974)	\$ (55,468)	\$ (34,430)	\$ (26,936)
Plan fiduciary net position as a percentage of total pension liability	110.32%	107.06%	101.98%	115.20%	97.44%	102.88%	120.69%	131.89%	123.83%	123.04%
Covered employee payroll	\$ 346,514	\$ 334,299	\$ 314,220	\$ 290,631	\$ 297,617	\$ 269,713	\$ 246,848	\$ 238,263	\$ 226,768	\$ 210,122
Net pension liability as a percentage of covered employee payroll	-18.54%	-11.49%	-3.03%	-22.71%	3.38%	-3.31%	-17.41%	-23.28%	-15.18%	-12.82%

See independent auditor's report.

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
2015	\$ 6,220	\$ 10,506	\$ (4,286)	\$ 210,122	5.00%
2016	\$ 5,442	\$ 11,338	\$ (5,896)	\$ 226,768	5.00%
2017	\$ 3,479	\$ 11,913	\$ (8,435)	\$ 238,263	5.00%
2018	\$ 3,184	\$ 12,342	\$ (9,158)	\$ 246,848	5.00%
2019	\$ 2,481	\$ 13,486	\$ (11,005)	\$ 269,713	5.00%
2020	\$ 12,649	\$ 14,881	\$ (2,232)	\$ 297,617	5.00%
2021	\$ 12,032	\$ 14,532	\$ (2,499)	\$ 290,631	5.00%
2022	\$ 18,916	\$ 21,995	\$ (3,079)	\$ 314,220	7.00%
2023	\$ 18,219	\$ 23,401	\$ (5,182)	\$ 334,299	7.00%
2024	\$ 18,677	\$ 24,255	\$ (5,578)	\$ 346,514	7.00%

See independent auditor's report.

Four Way Special Utility District Supplemental Schedules Included Within This Report

- (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
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: PENSION COVERAGE FOR DISTRICT EMPLOYEES

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

Note E: SUBSEQUENT EVENT

On January 20, 2026, subsequent to year end, the District obtained a Revenue Bonds, Series 2026 for \$3,855,000.

**Four Way Special Utility District
TSI-1. Services and Rates
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 1,000 Gallons Over Minimum Use	Usage Levels
Water	\$31.00	0	Y	\$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	0	0	x 1.0	0
5/8"	2,565	2,309	x 1.0	2,293
3/4"	10	10	x 1.5	13.5
1"	16	16	x 2.5	42.5
1 1/2"	9	8	x 5.0	45
2"	3	3	x 8.0	24
3"	0	0	x 16.0	0
4"	0	0	x 25.0	0
6"	1	1	x 50.0	50
8"	0	0	x 80.0	0
10"	0	0	x 115.0	0
Total Water	2,604	2,347		
Total	0	0	x 1.0	0

3. Total Water Consumption (in Thousands) During the Fiscal Year

Gallons pumped into system	<u>167,661</u>
Gallons billed to customers	<u>143,124</u>
Water accountability ratio	<u>0.85</u>

4. Standby Fees

The District does not maintain standby fees.

**Four Way Special Utility District
TSI-2. Enterprise Fund Expenses
Schedule F**

Personnel expenditures (including benefits)	\$ 420,125
Professional Fees	
Accounting and auditing services	15,600
Legal	4,535
Engineering	9,525
Utilities	97,781
Repairs and maintenance	201,665
Administrative Expenses	
Office supplies and postage	36,886
Insurance	118,459
Dues and fees - Regulatory	8,609
Other administrative expenses	219,747
Depreciation expense	323,952
<hr/>	
Total expenses	\$ 1,456,884
<hr/>	

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

**Four Way Special Utility District
TSI-3. Temporary Investments
Schedule G**

Fund	Identification or Certification Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Receivable at End of Year
<hr/> Proprietary Fund <hr/>					
Certificate of Deposit	736430-0100	4.75%	9/23/2029	\$ 143,497	\$ -
Certificate of Deposit	200022997	4.06%	6/7/2026	135,205	-
Certificate of Deposit	**352	3.60%	Monthly	623,219	-
Certificate of Deposit	964136	4.81%	8/10/2026	223,287	-
Money Market Account	736430	1.06%	-	1,653	-
Money Market Account	209175148	0.00%	-	9,073	-
Money Market Account	1807541-8	1.15%	-	6,125	-
<hr/> Total fund				\$ 1,142,059	\$ -

See independent auditor's report.

**Four Way Special Utility District
TSI-4. Taxes Levied and Receivable
Schedule H**

	Debt	
	Service Taxes Ad Valorem Tax	Special Benefits Tax
Taxes receivable at beginning of year	\$ -	\$ -
2025 tax roll	-	-
Adjustments	-	-
Total to be accounted for	-	-
Tax Collections		
Current year levy	-	-
Prior year levies	-	-
Total tax collections	-	-
Taxes receivable at end of year	\$ -	\$ -

NOTE: The District neither levies nor collects taxes.

Four Way Special Utility District
TSI-7a. Comparative Schedule of Revenues and Expenses
Schedule K

<i>December 31,</i>						Percent of Total Operating Revenue				
	2025	2024	2023	2022	2021	2025	2024	2023	2022	2021
Operating Revenues										
Water sales	\$1,504,706	\$ 1,397,087	\$ 1,478,443	\$ 1,370,057	\$ 1,293,822	88.5%	85.2%	89.1%	88.5%	91.8%
Connection fees	167,331	209,848	147,312	143,284	97,048	9.8%	12.8%	8.9%	9.3%	6.9%
Penalties	27,720	32,244	33,203	34,105	18,296	1.6%	2.0%	2.0%	2.2%	1.3%
Total operating revenues	1,699,757	1,639,179	1,658,958	1,547,446	1,409,166	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Expenses										
Payroll costs	420,125	380,826	367,316	341,988	315,766	24.7%	23.2%	22.2%	15.5%	22.7%
Professional fees	29,660	16,176	17,360	16,108	16,702	1.7%	1.0%	1.0%	1.0%	1.2%
Utilities	97,781	99,948	109,610	92,870	96,611	5.8%	6.1%	6.6%	6.0%	6.9%
Repairs and maintenance	201,665	182,803	275,584	249,437	155,319	11.9%	11.2%	16.6%	16.1%	11.0%
Administrative expenses	383,701	305,328	267,079	290,165	261,715	22.6%	18.6%	16.1%	18.8%	18.6%
Depreciation expense	323,952	324,995	313,286	282,428	283,611	19.1%	19.8%	18.9%	18.3%	20.1%
Total operating expenses	1,456,884	1,310,076	1,350,235	1,272,996	1,129,724	85.7%	79.9%	81.4%	75.7%	80.5%
Operating income	242,873	329,103	308,723	274,450	279,442	14.3%	20.1%	18.6%	24.3%	19.5%
Non-Operating Revenues (Expenses)										
Interest income	69,653	68,289	41,676	8,370	10,948	4.1%	4.2%	2.5%	0.5%	0.8%
Interest expense	(300)	(2,065)	(7,631)	(19,253)	(28,299)	0.0%	-0.1%	-0.5%	-1.2%	-2.0%
Gain on sale of assets	6,250	38,343	14,103	-	(930)	0.4%	2.3%	0.9%	0.0%	0.1%
Miscellaneous income	5,998	98,966	11,780	4,082	1,520	0.4%	6.0%	0.7%	0.3%	-0.1%
Project reimbursements	-	-	-	-	281,006	0.0%	0.0%	0.0%	0.0%	19.9%
Total non-operating revenues (expenses)	81,601	203,533	59,928	(6,801)	264,245	4.8%	12.4%	3.6%	-0.4%	18.8%
Change in net position	\$ 324,474	\$ 532,636	\$ 368,651	\$ 267,649	\$ 543,687	19.1%	32.5%	22.2%	23.9%	38.3%
Total active retail water and/or wastewater connections	2,364	2,335	2,298	2,183	2,203					

See independent auditor's report.

**Four Way Special Utility District
TSI-8. Board Members, Key Personnel and Consultants**

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 5, 2025

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 12/31/2025	Expense Reimbursements FYE 12/31/2025	Title at Year End
Board Members				
Roger Sanders	05/2025 - 05/2028 Elected	\$ 600	\$ -	President
Don Willis	05/2024 - 05/2027 Elected	\$ 150	\$ -	Vice-President
Judy Runnels	05/2023 - 05/2026 Elected	\$ 650	\$ -	Secretary/Treasurer
Gay Walker	05/2025 - 05/2028 Elected	\$ 550	\$ -	Director
James Kirkland	05/2024 - 05/2027 Elected	\$ 650	\$ -	Director
Barbara Innerarity	05/2023 - 05/2026 Elected	\$ 600	\$ -	Director
Chad Murray	7/2025 - 05/2027 Appointed	\$ 350	\$ -	Director
Key Administrative Personnel				
Tommy Carswell	8/1/1990	\$ 103,412	\$ -	General Manager
Consultants				
Gregory Longino	1/1/2014	\$ 4,535	\$ -	Attorney
Goodwin/Lasiter, Inc.	1/1/2014	\$ 43,926	\$ -	Engineer
Debra Carver	1/1/2014	\$ 3,600	\$ -	Accountant
Axley & Rode, LLP, CPA	12/30/2015	\$ 12,000	\$ -	Auditor

See independent auditor's report on supplementary information.

**Four Way Special Utility District
TSI-8. Board Members, Key Personnel and Consultants**

See independent auditor's report on supplementary information.

Four Way Special Utility District
Schedule of Budgeted (Non-GAAP Basis) Revenues and Expenses
Schedule M

<i>December 31, 2025</i>	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Water sales	\$ 1,450,000	\$ 1,504,706	\$ 54,706
Connection fees	146,500	167,331	20,831
Penalties	32,000	27,720	(4,280)
Total operating revenues	1,628,500	1,699,757	71,257
Operating Expenses			
Payroll costs	676,947	420,125	256,822
Professional fees	27,000	29,660	(2,660)
Utilities	111,000	97,781	13,219
Repairs and maintenance	218,000	201,665	16,335
Administrative expenses	113,243	383,701	(270,458)
Depreciation expense	285,000	323,952	(38,952)
Total operating expenses	1,431,190	1,456,884	(25,694)
Operating income	197,310	242,873	45,563
Non-Operating Revenues (Expenses)			
Gain on sale of asset	-	6,250	6,250
Interest income	50,000	69,653	19,653
Interest expense	-	(300)	(300)
Miscellaneous income	2,000	5,998	3,998
Total non-operating revenues (expenses)	52,000	81,601	29,601
Change in net position	\$ 249,310	\$ 324,474	\$ 75,164

See independent auditor's report.

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTY OF: ANGELINA }

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

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

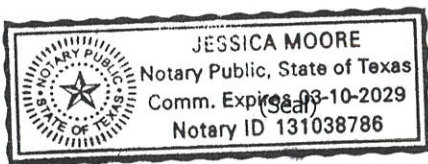
hereby swear, or affirm, that the district named above has reviewed and approved at the meeting of the District's Board of Directors on the 21st day of April, its annual report for the fiscal period ended December 31, 2025 and that copies of the annual audit report have been filed in the District's office, 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: April 21 2026. Dale Kirkland
(Signature of District Official)
Dale Kirkland
(Typed Name of District Official)
Vice-President
(Title of District Official)

Sworn to and subscribed to before me this 21 day of April, 2026.



Jessica Moore
(Signature of Notary)

Jessica Moore
(Printed Name of Notary)

My Commission Expires On: 3/10/2029
Notary Public in and for the State of Texas



CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.
1307 South 1st Street
Lufkin, TX 75901

936.634.6621
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**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, 2025. We have issued our report on the financial statements as of April 21, 2026. 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Lufkin, Texas
April 21, 2026