RESOLUTION NO. 20140422-10

ACCEPTANCE OF FISCAL YEAR 2013 AUDITED FINANCIAL STATEMENTS

WHEREAS, TexAmericas Center is a political subdivision of the State of Texas with the powers and authorities specified in Chapter 3503 of the Special District Local Laws Code of the State of Texas; and

WHEREAS, by prior **Resolution #20110125-08** of the Board of Directors, TexAmericas Center hired auditors Vail & Knauth, LLP and provided them with the unaudited financial statements of TexAmericas Center for their review, and;

WHEREAS, the auditors, outside accountants and TexAmericas Center staff collaborated to conduct the audit and represent the financial statements, management discussion and analysis, and management representations in accordance with applicable law and regulations (Attached), and;

WHEREAS, the auditors have found no material misstatements in the financial statements.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of TexAmericas Center that 2013 Audited Financial Statements are hereby accepted as presented in the attachment hereto.

PASSED AND APPROVED THIS 22nd day of April, 2014.

Denis Washington, Chairman of the Board

ATTEST:

Mike Carter, Secretary-Treasurer

Attached: FY 2013 Audited Financials

ANNUAL FINANCIAL REPORT

TexAmericas Center

Year ended September 30, 2013

TexAmericas Center

Annual Financial Report

Year ended September 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
TexAmericas Center
New Boston, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of TexAmericas Center as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Our responsibility is to express our opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 statements, 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of TexAmericas Center, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and page 20 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.

Other Information

Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise the TexAmericas Center's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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.

Vail + Knauth, LLP

Dallas, Texas
February 27, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of TexAmericas Center, we offer readers of TexAmericas Center's financial statements this narrative overview and analysis of the financial activities of TexAmericas Center for the fiscal year ended September 30, 2013.

Financial Highlights

- The assets of TexAmericas Center exceeded its liabilities at the close of the most recent fiscal year by $66,141,394 (net position). Of this amount, $6,663,291 (unrestricted net position) may be used to meet TexAmericas Center's ongoing obligation to citizens and creditors.

- TexAmericas Center's total net position decreased by $3,397,184. This decrease is primarily attributable to the transfer of water lines to the City of Texarkana and as a result, the assets were retired in fiscal year 2013. TexAmericas Center used the assets for water treatment in the past and now purchases water. In addition, a restatement of the beginning net position was made that resulted in an approximate $1.3 million decrease to net position. See Footnote 17 for more information.

- As of the close of the fiscal year, TexAmericas Center's general fund reported an ending fund balance of $4,842,388, an increase of $824,459 in comparison with the prior year. Approximately 89% of this amount, $4,287,765, is available for spending at TexAmericas Center's discretion (*unassigned fund balance*).

- At the end of the current fiscal year, unassigned fund balance for the general fund was 89% of total general fund expenditures.

- TexAmericas Center's total debt decreased by $668,287 (8.97%) during the current fiscal year. The debt reductions were due to scheduled bond debt and note payments, and the pay down of the general fund line of credit.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to TexAmericas Center's basic financial statements. TexAmericas Center's basic financial statements comprise three components: 1) government-wide statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

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

The *statement of net position* presents information on all of TexAmericas Center's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of TexAmericas Center is improving or deteriorating.

The *statement of activities* presents information showing how TexAmericas Center's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of TexAmericas Center that are principally supported by intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of TexAmericas Center include facility operations & infrastructure; real estate, marketing, & sales; general government; hunting & timber; ESCA; and scrap & materials reclamation. The business-type activities of TexAmericas Center include water, waste water, and industrial waste water services.

The government-wide financial statements can be found on pages 14-15 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have segregated for specific activities or objectives. TexAmericas Center, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of TexAmericas Center can be divided into two categories: governmental funds and proprietary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating TexAmericas Center's near term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of TexAmericas Center's near-term financing decisions. Both the *governmental funds balance sheet* and the *governmental funds statements of revenues, expenditures, and changes in fund balances* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

TexAmericas Center maintains one governmental fund also called the general fund. The general fund's information is presented in the *governmental funds balance sheet* and in the *governmental funds statement of revenues, expenditures, and changes in fund balance*. The general fund is considered to be a major fund of TexAmericas Center. TexAmericas Center adopts an annual appropriated budget for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary funds

TexAmericas Center maintains one proprietary fund also called the enterprise fund. An enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. TexAmericas Center uses an enterprise fund to account for its water, waste water, and industrial waste water operations.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the enterprise fund, which is considered to be a major fund of TexAmericas Center.

The basic proprietary fund financial statements can be found on pages 21-24 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-45 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of TexAmericas Center, assets exceeded liabilities by $66,141,394 (net position) as of September 30, 2013.

The largest portion of TexAmericas Center's net position ($57,248,815 or 97%), reflects its investment in capital assets (e.g., land and timber, buildings, roads and rail, utility system improvements, intangible utility assets, equipment, and construction in progress), less any debt used to acquire those assets that is still outstanding. TexAmericas Center uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although TexAmericas Center's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	$ 5,143,347	$ 4,469,156	$ 6,124,901	$ 9,305,738	$ 11,268,248	$ 13,878,893
Capital Assets	48,541,127	51,291,518	13,111,769	11,816,193	61,652,896	63,107,711
Total Assets	53,684,474	55,760,674	19,236,670	21,121,931	72,921,144	76,986,604
Long-term Liabilities						
Outstanding	553,435	680,902	5,107,166	5,095,247	5,660,601	6,218,756
Other Liabilities	300,959	451,227	818,179	1,220,650	1,119,138	1,229,270
Total Liabilities	854,394	1,132,129	5,925,345	6,315,897	6,779,739	7,448,026
Net Position:						
Net Investment in						
Capital Assets	48,039,697	50,651,042	9,209,118	12,065,631	57,248,815	62,820,672
Restricted	-	-	2,229,288	2,004,104	2,229,288	2,004,104
Unrestricted	4,790,383	3,977,503	1,872,919	736,299	6,663,302	4,713,802
Total Net Position	$ 52,830,080	$ 54,628,545	$ 13,311,325	$ 14,806,034	$ 66,141,405	$ 69,538,578

An additional portion of TexAmericas Center's net position, $2,229,288 (3%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($6,663,291) may be used to meet TexAmericas Center's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, TexAmericas Center is able to report positive balances in all three categories of net position, both for TexAmericas Center as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

TexAmericas Center's net position decreased by $3,397,184 during the current fiscal year. This decrease is primarily attributable to prior period adjustments of approximately $1,300,000 related to Timber sales not recorded in prior periods and implementation of GASB 65 (see Footnote 17 for more information). In addition, a decrease of approximately $3,000,000 occurred due to transfer of water line assets to the city of Texarkana TX and demolition of old sewer treatment plant assets.

A condensed version of the Statement of Activities follows:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue:						
Program Revenues:						
Charges for Services	$ 2,393,680	$ 4,700,537	$ 2,625,418	$ 2,637,099	5,019,098	$ 7,337,636
Operating Grants & Contributions	985,486	980,923	-	-	985,486	980,923
Capital Grants & Contributions	-	-	1,734,711	835,697	1,734,711	835,697
General Revenues:						
Investment Earnings	22,690	11,760	(279,424)	34,726	(256,734)	46,486
Total Revenues	3,401,856	5,693,220	4,080,705	3,507,522	7,482,561	9,200,742
Expense:						
Facility Operation & Infrastructure	1,466,291	2,611,340	-	-	1,466,291	2,611,340
Real Estate, marketing & Sales	1,615,383	1,402,196	-	-	1,615,383	1,402,196
General Government	612,893	800,019	-	-	612,893	800,019
Hunting & Timber	101,931	257,328	-	-	101,931	257,328
ESCA	119,406	104,530	-	-	119,406	104,530
Scrap & Materials Reclamation	89,001	1,065,446	-	-	89,001	1,065,446
Water	-	-	1,035,363	1,568,669	1,035,363	1,568,669
Waste Water	-	-	797,322	903,347	797,322	903,347
Industrial Waste Water	-	-	625,002	717,861	625,002	717,861
Loss on sale of assets	-	-	3,117,727	-	3,117,727	-
Total Expense	4,004,905	6,240,859	5,575,414	3,189,877	9,580,319	9,430,736
Increase (Decrease) in Net Assets	(603,039)	(547,639)	(1,494,709)	317,645	(2,097,758)	(229,994)
Net Assets - Beginning	54,628,545	55,176,184	14,910,033	14,592,388	69,538,578	69,768,572
Prior Period Adjustment	(1,195,426)	-	(103,999)	-	(1,299,425)	-
Net Assets - Ending	$ 52,830,080	$ 54,628,545	$ 13,311,325	$ 14,910,033	$ 66,141,395	$ 69,538,578

Governmental activities

Governmental activities increased TexAmericas Center's net position by $603,039, thereby accounting for the decrease in the total net assets of TexAmericas Center. Key elements of this decrease are as follows:

- Reclamation expenses related to contaminated assets which are transferred to a third party decreased from $1,065,446 to $89,001. In addition, Facility, Operation and Infrastructure expenses decreased from the previous year by $1,145,059. These decreases in expenses were offset by a decrease in service revenue of $2,318,538 and a decrease in sales expense of $3,593,156 from the previous fiscal year.

Business-Type Activities

Business-type activities decreased the net position of TexAmericas Center by $1,497,709. Key elements of this decrrease are as follows:

- The water lines were transferred in fiscal year 2013 to the City of Texarkana and as a result, the assets were retired and a loss was recognized in the amount of $3,117,727. This loss was partially offset by a decrease in water, waste water, and industrial waste water operating expenses in the amount of $732,190.

- TexAmericas Center and the Army were required to complete an annual settlement based on fixed and variable volumetric charges. The parties were also required to complete a capital settlement, which takes place every five years. The settlement resulted in a net decrease to revenues in fiscal year 2013 of $172,353.

Financial Analysis of the Government's Funds

As noted earlier, TexAmericas Center uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of TexAmericas Center's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing TexAmericas Center's financing requirements. In particular, unassigned fund balance may serve as a useful measure of TexAmericas Center's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, TexAmericas Center's governmental funds reported an ending fund balance of $4,842,378, an increase of $824,449 in comparison with the prior year, in the only governmental fund – the general fund. Approximately 89% of this total amount ($4,287,765) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is committed or assigned to indicate that it is not available for new spending because it has already been set aside to liquidate contracts and purchase orders of the prior period.

The general fund is the chief operating fund of TexAmericas Center. At the end of the current fiscal year, the unassigned fund balance was $4,287,765, while the total fund balance reached $4,842,378. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 132% of the total general fund expenditures, while total fund balance represents 150% of the same amount.

The fund balance of TexAmericas Center's general fund increased by $824,449 during the current fiscal year. Key factors in this growth are as follows:

- Total expenditures decreased by $863,696 with major decreases as follows:

    - Marketing services, including advertising, direct mail, and website maintenance, decreased from $156,896 to $103,708 in 2013.
    - Personal property sales decreased in 2013, resulting in a decrease of the costs associated ($95,426 or 70%).

- Total revenues decreased by $1,632,138 or 29% with major changes as follows:

    - The $1.6 million decrease is primarily a result of a decrease in Timber sales of approximately $700,000 and Army M&R revenue of $650,000 recognized in the previous year compared to $0 in the current year.
    - Lease revenues increased by $211,850 or 12%.
    - Personal property sales decreased by $308,516 or 49%.

Proprietary funds

TexAmericas Center's proprietary fund, the enterprise fund water, waste water, and industrial waste water systems, provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water, waste water, and industrial waste water systems at the end of the year amounted to $-1,872,919. The total decrease in net position was $1,494,709, which was primarily a result of the $3 million in water line assets being retired. Other factors concerning the finances of this fund have already been discussed in the discussion of TexAmericas Center's business-type activities.

General Fund Budgetary Highlights

During the year, there was a $1,293,218 decrease in the appropriations between the original and final amended budget. Following are the main components of the decrease:

- Facility operations & infrastructure appropriations decreased by $817,047 in anticipation of capital projects and environmental characterization of TexAmericas Center – East.

- ESCA appropriations decreased by $84,059 due to timing delays with contract negotiations.

- General government expenditures appropriations decreased by $57,744 due to increased staffing levels and office maintenance.

Revenues included decreases in ESCA revenue of $225,784, intergovernmental revenues of $150,000 and miscellaneous revenue of 20,000.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2013, TexAmericas Center had $61,652,896 invested in capital assets for its governmental and business-type activities, net of accumulated depreciation. This investment in capital assets includes land and timber, buildings, roads and rails, machinery and equipment, utility system and construction in progress. The total decrease in TexAmericas Center's investment in capital assets for the current fiscal year was 2% (a 5% decrease for governmental activities and a 11% increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Construction began on the waste water plant for the waste water operations in 2012; construction in progress as of the close of the 2013 fiscal year had reached $6,451,357.
- Construction finished on the waste water facilities at Elliot Lake for the waste water operations; construction in progress as of the close of fiscal years 2012 and 2013 was $606,856 and $0 respectively.
- Net fixed assets in the proprietary fund decreased by the amount of $2,978,705, primarily as a result of transferring water lines to Texarkana, TX and the demolition of the old sewer treatment plant in 2013.

TEXAMERICAS CENTER CAPITAL ASSETS
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Land and Timber	$ 19,544,338	$ 21,232,821	$ -	$ -	$ 19,544,338	$ 21,232,821
Buildings & Improvements	21,763,736	21,206,594	-	-	21,763,736	21,206,594
Roads and Rail	19,079,408	19,079,408	-	-	19,079,408	19,079,408
Donated Utility System	-	-	3,160,153	6,958,811	3,160,153	6,958,811
Improvements	-	-	4,967,124	4,207,414	4,967,124	4,207,414
Equipment	587,861	570,759	1,162,327	1,162,327	1,750,188	1,733,086
Intangible Utility Assets	-	-	334,003	344,008	334,003	344,008
Construction in Progress	234,973	99,047	6,496,497	2,463,978	6,731,470	2,563,025
Subtotal	61,210,316	62,188,629	16,120,104	15,136,538	77,330,420	77,325,167
Accumulated Depreciation	(12,669,189)	(10,897,111)	(3,008,335)	(3,310,340)	(15,677,524)	(14,207,451)
Total Capital Assets	48,541,127	51,291,518	13,111,769	11,826,198	61,652,896	63,117,716

Additional information on TexAmericas Center's capital assets can be found in Note 6 of the notes to the financial statements.

Long-term debt

At the end of the current fiscal year, TexAmericas Center had $501,430 in notes payable and bonded debt outstanding of $5,080,000. The notes payable are secured by a first lien on a building. The bonds are secured by and payable from a first lien on and pledge of the net revenues of the system.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue bonds	$ -	$ -	$ 5,080,000	$ 5,515,000	$ 5,080,000	$ 5,515,000
Notes payable	501,430	640,476	-	-	501,430	640,476
Accrued compensated absences	52,005	40,426	27,166	22,854	79,171	63,280
Subtotal	$ 553,435	$ 680,902	$ 5,107,166	$ 5,537,854	$ 5,660,601	$ 6,218,756

TexAmericas Center's debt decreased by $558,155 (9%) during the current fiscal year. The decrease is primarily attributable to the scheduled bond payment of $435,000 and scheduled note payments of $139,046. TexAmericas Center's bonds were issued by the Texas Water Development Board which maintains a AA+/stable rating from Standard & Poor's for the revenue bonded debt.

Additional information of the TexAmericas Center's long-term debt can be found in Note 8 of the notes to the financial statements.

Economic Factors and Next Year's Budget

As part of its transfer agreements with the US Army, TexAmericas Center received several contracts that will generated net revenue for TexAmericas Center in 2013 as well as included provisions for a right of first negotiation on some of the environmental restoration activities, creating a pathway to accelerate redevelopment while simultaneously enhancing revenue. This program function (ESCA) has been established for 2013.

The FY2014 and FY2015 budgets will be subject to a higher degree of uncertainty compared with prior year budgets because of the size of the additional operational responsibilities of TexAmericas Center and because market sensitivities to available land, timber and buildings has not been fully tested. As a result, the approach to expenditures associated with the conversation of the new property will be handled in a very conservative manner.

There are no major changes expected from the current list of tenants upon the TexAmericas Center. There are some leases scheduled to expire this year, however, most are expected to be renewed.

Financial Contact

This financial report is designed to provide a general overview of TexAmericas Center's finances for all those with an interest in the government's finances. If you have questions about the report or need additional financial information, please contact Bill Cork, Executive Director/CEO at 107 Chapel Lane, New Boston, Texas, 75570.

BASIC FINANCIAL STATEMENTS

TexAmericas Center
STATEMENT OF NET POSITION
September 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	$ 5,034,715	$ 1,939,150	$ 6,973,865
Accounts Receivable	69,849	1,047,574	1,117,423
Due From Other Governments	21,156	-	21,156
Due from Other Funds	3,975	-	3,975
Prepaid Expenses	13,652	3,572	17,224
Deferred Charges	-	-	-
Internal Balances	-	-	-
Restricted Assets:			
Cash Restricted for Capital Improvements	-	1,269,371	1,269,371
Cash Restricted for Bonded Debt Reserves	-	1,006,890	1,006,890
Cash Restricted for Construction - Bond Proceeds	-	858,344	858,344
Certifcates of Deposit Restricted for Construction -	-	-	-
Capital Assets (Net of Accumulated Depreciation)			
Land and Timber	19,544,338	-	19,544,338
Buildings	11,743,599	-	11,743,599
Roads and Rail	16,627,350	-	16,627,350
Equipment	390,867	467,964	858,831
Utility System	-	6,147,308	6,147,308
Construction in Progress	234,973	6,496,497	6,731,470
Total Assets	53,684,474	19,236,670	72,921,144
Liabilities			
Accounts Payable	160,318	293,295	453,613
Accounts Payable - Army Settlement	-	128,809	128,809
Accrued Liabilities	28,202	345,128	373,330
Construction Contracts Payable	-	-	-
Unearned Revenue	15,690	-	15,690
Tenant Lease Deposits	96,749	-	96,749
Accrued Interest	-	46,972	46,972
Due to other funds	-	3,975	3,975
Cuurent/Noncurrent Liabilities			
Due Within One Year:			
Accrued Compensated Absences	3,273	9,075	12,348
Notes Payable	149,303	-	149,303
Revenue Bonds Payable	-	455,000	455,000
Due in More Than One Year:			
Accrued Compensated Absences	48,732	18,091	66,823
Notes Payable	352,127	-	352,127
Revenue Bonds Payable	-	4,625,000	4,625,000
Total Liabilities	854,394	5,925,345	6,779,739
Net Position			
Net Investment in Capital Assets	48,039,706	9,209,118	57,248,824
Restricted For:			
Capital Improvements	-	1,269,369	1,269,369
Bond Reserves	-	959,919	959,919
Unrestricted	4,790,374	1,872,919	6,663,293
Total Net Position	$ 52,830,080	$ 13,311,325	$ 66,141,405

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

TexAmericas Center
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
Facility Operations & Infrastructure	$ 1,466,282	$ 67,224	$ 358,745	$ -	$ (1,040,313)	$ -	$ (1,040,313)
Real Estate, Marketing & Sales	1,615,382	1,933,495	22,094	-	340,207	-	340,207
General & Administrative	612,893	183	462,209	-	(150,501)	-	(150,501)
Hunting & Timber	101,931	167,558	60,905	-	126,532	-	126,532
Executive Office	119,406	-	-	-	(119,406)	-	(119,406)
Scrap & Materials Reclamation	89,001	225,220	81,533	-	217,752	-	217,752
Total Governmental Activities	4,004,895	2,393,680	985,486	-	(625,729)	-	(625,729)
Business-Type Activities							
Water	1,035,363	764,255	-	343,053	-	71,945	71,945
Waste Water	797,322	717,032	-	1,391,658	-	1,311,368	1,311,368
Industrial Waste Water	625,002	1,144,130	-	-	-	519,128	519,128
Total Business-Type Activities	2,457,687	2,625,417	-	1,734,711	-	1,902,441	1,902,442
Total Primary Government	$ 6,462,582	$ 5,019,097	$ 985,486	$ 1,734,711	$ (625,729)	$ 1,902,441	$ 1,276,712
			General Revenues				
			Loss on Sale of Assets		-	(3,117,727)	(3,117,727)
			Investment Earnings (Expense)		22,690	(279,424)	(256,734)
			Total General Revenues		22,690	(3,397,151)	(256,734)
			Change in Net Position		(603,039)	(1,494,709)	(2,097,748)
			Net Position - Beginning		54,628,545	14,910,033	69,538,578
			Prior Period Adjustment		(1,195,426)	(103,999)	(1,299,425)
			Net Position - Ending		$ 52,830,080	$ 13,311,325	$ 66,141,405

The accompanying notes are an integral part of these financial statements

TexAmericas Center
BALANCE SHEET
Governmental Fund
As of September 30, 2013

	General Fund
Assets	
Cash and Cash Equivalents	$ 5,034,715
Accounts Receivable	69,849
Due From Other Governments	21,156
Due From Other Funds	3,975
Prepaid Expenses	13,661
Total Assets	5,143,356
Liabilities	
Accounts Payable	160,327
Accrued Liabilities	28,202
Unearned Revenue	15,690
Tenant Lease Deposits	96,749
Total Liabilities	300,968
Fund Balance	
Committed	553,025
Assigned	1,598
Unassigned	4,287,765
Total Fund Balance	4,842,388
Total Liabilities and Fund Balance	$ 5,143,356

The accompanying notes are an integral part of these financial statements

TexAmericas Center
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
September 30, 2013

Amounts reported for governmental activities in the statement of net assets are different because:

Total Governmental Funds Balances	$	4,842,388
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		48,541,127
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.		(553,435)
Net Position of Governmental Activities	$	52,830,080

The accompanying notes are an integral part of these financial statements

TexAmericas Center

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Governmental Fund

For the Year Ended September 30, 2013

	General Fund
Revenues	
Leases	$ 1,933,495
Timber & Hunting Revenue	730,736
Grants	985,486
Personal Property Sales	321,268
Franchise Fees	60,621
Road Reclamation	6,603
Miscellaneous	183
Interest	22,692
Total Revenues	4,061,084
Expenditures	
Current:	
Facility Operations & Infrastructure	710,429
Real Estate, Marketing & Sales	646,217
General Government	627,589
Hunting & Timber	199,021
ESCA	119,406
Scrap & Materials Reclamation	97,932
Debt Service:	
Real Estate, Marketing & Sales	
Principal	139,045
Interest	21,000
Capital Outlay	
Facility Operations & Infrastructure	223,803
Real Estate, Marketing & Sales	451,860
General Government	323
Hunting & Timber	-
Total Expenditures	3,236,625
Change in Fund Balance	824,459
Fund Balance - Beginning	4,017,929
Fund Balance - Ending	$ 4,842,388

The accompanying notes are an integral part of these financial statements

TexAmericas Center

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2013

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - total governmental funds	$	(603,039)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		895,740
The net effect of various sales and tranfers of capital assets is to decrease net assets.		659,226
The issuance of long-term debt provides current financial resoures to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the is the net effect of these differences in the treatment of long-term debt.		(139,046)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		11,578
Change in net position of governmental activities	$	824,459

The accompanying notes are an integral part of these financial statements

TexAmericas Center
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
General Fund
Budget and Actual

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Leases	$ 1,914,105	$ 1,915,000	$ 1,933,495	$ 18,495
Timber & Hunting Revenue	697,000	724,435	730,736	6,301
Grants	342,342	951,994	985,487	33,492
Personal Property Sales	230,000	320,000	321,268	1,268
ESCA	225,784	-	-	-
Intergovernmental	150,000	-	-	-
Franchise Fees	50,000	60,000	60,621	621
Road Reclamation	50,000	7,000	6,603	(397)
Miscellaneous	20,000	-	184	183
Interest	15,000	22,000	22,690	690
Total Revenue	3,694,231	4,000,429	4,061,084	60,653
Expenditures				
Facility Operations & Infrastructure	1,755,747	938,700	935,239	3,461
Real Estate, Marketing & Sales	1,246,035	1,311,390	1,257,438	53,952
General Government	747,486	689,742	627,596	62,146
Hunting & Timber	282,319	240,145	199,021	41,124
ESCA	209,059	125,000	119,406	5,594
Scrap & Materials Reclamation	166,801	115,450	97,925	17,518
Total Expenditures	4,407,447	3,420,427	3,236,625	183,795
Change in Fund Balance	**(713,216)**	**580,002**	**824,459**	**244,448**
Fund Balance - Beginning	4,017,929	4,017,929	4,017,929	-
Fund Balance - Ending	**$ 3,304,713**	**$ 4,597,931**	**$ 4,842,388**	**$ 244,448**

The accompanying notes are an integral part of these financial statements

TexAmericas Center
STATEMENT OF NET POSITION
Proprietary Funds
As of September 30, 2013

	Enterprise Fund
Assets	
Current Assets:	
Cash in Bank	$ 1,939,150
Accounts Receivable	1,047,574
Prepaid Expenses	3,572
Total Current Assets	2,990,296
Noncurrent Assets:	
Restricted Assets:	
Cash Restricted for Capital Improvements	1,269,371
Cash Restricted for Bonded Debt Reserves	1,006,890
Cash Restricted for Construction - Bond Proceeds	858,344
Total Restricted Assets	3,134,605
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation)	13,111,769
Total Noncurrent Assets	13,111,769
Total Assets	19,236,670
Liabilities	
Current Liabilities:	
Accounts Payable	293,295
Accounts Payable - Army Settlement	128,809
Accrued Liabilities	345,128
Due to Other Funds	3,975
Accrued Compensated Absences - Current	9,075
Accrued Interest	46,972
Revenue Bonds Payable - Current	455,000
Total Current Liabilities	1,282,254
Noncurrent Liabilities:	
Accrued Compensated Absences - Long Term	18,091
Revenue Bonds Payable - Long Term	4,625,000
Total Noncurrent Liabilities	4,643,091
Total Liabilities	5,925,345
Net Position	
Net Investment in Capital Assets	9,209,118
Restricted for Capital Improvements	1,269,369
Restricted for Bond Reserves	959,919
Unrestricted	1,872,919
Total Net Position	$ 13,311,325

TexAmericas Center
Statement of Revenues, Expenses, and Change in Net Position
Proprietary Funds
For the Year Ended September 30, 2013

		Enterprise Fund
Operating Revenues		
Charges for Services:		
Army Water Charge	$	721,695
Army Waste Water Charge		595,896
Army Industrial Waste Water Charge		1,144,130
Commercial & Residential Water Charge		42,560
Commercial & Residential Waste Water Charge		61,429
Reimbursable Service Work		14,207
Miscellaneous Revenue		45,500
Total Operating Revenues		2,625,417
Operating Expenses		
Labor		646,924
Analyticals		128,245
Repairs		206,865
Other Maintenance		4,585
Equipment Maintenance, Repair & Fuel		31,956
Equipment Rental		627
Materials		118,254
Supplies		47,246
Permits		28,128
Utilities		81,469
Waste Disposal		37,498
Water Purchase		281,835
Consulting		14,632
Overhead		311,473
Depreciation		517,949
Total Operating Expenses		2,457,686
Operating Income (Loss)		167,731
Nonoperating Revenues (Expenses)		
Facility Charges		1,559,389
Interest Income		20,531
Interest Expense		(299,955)
Loss on Sale of Fixed Assets		(3,117,727)
Total Nonoperating Revenues (Expenses)		(1,837,762)
Capital contributions		343,053
Change in Net Position		(1,494,709)
Prior Period Adjustment		(103,999)
Net Position - Beginning		14,910,033
Net Position - Ending	$	13,311,325

The accompanying notes are an integral part of these financial statements

TexAmericas Center

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2013

		Enterprise Fund
Cash flows from operating activities		
Receipts from customers	$	2,069,754
Payments to suppliers and service providers		(1,202,249)
Payments to employees for salaries and benefits		(812,873)
Net cash provided by (used for) operations		54,632
Cash flows from capital and related financing activities		
Receipt of facility charges		1,180,598
Army capital contribution		343,053
Acquisition and construction of capital assets		(4,720,192)
Interest paid on capital debt		(303,580)
Principal paid on capital debt		(435,000)
Net cash provided by (used for) capital and related financing activities		(3,935,121)
Cash flows from investing activities		
Interest received on bank accounts		20,531
Proceeds from maturity of certificates of deposit		1,014,268
Net cash provided by (used for) investing activities		1,034,799
Net increase (decrease) in cash		(2,845,690)
Cash - beginning of year		7,919,445
Cash - end of year	$	5,073,755
Cash consists of:		
Unrestricted Cash	$	1,939,150
Cash restricted for capital improvements		1,269,371
Cash restricted for bonded debt purposes		1,006,890
Cash restricted for construction - bond proceeds		858,344
Total Cash	$	5,073,755

The accompanying notes are an integral part of these financial statements

TexAmericas Center

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2013

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating Income (Loss)	$	167,731
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		517,949
(Increase) decrease in accounts receivable		(668,287)
(Increase) decrease in prepaid items		5,918
Increase (decrease) in accounts payable		125,015
Increase (decrease) in accounts payable - Army settlement		(190,196)
Increase (decrease) in accrued liabilities		290,721
Increase (decrease) in accrued compensated absences		4,312
Increase (decrease) in interfund payables		(12,777)
Increase (decrease) in construction contracts payables		(185,754)
Total adjustments		(113,099)
Net cash provided by (used for) operating activities	$	54,632

The accompanying notes are an integral part of these financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Center relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the Center has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the Center are described below.

A. REPORTING ENTITY

The TexAmericas Center, "TexAmericas Center", is a political subdivision of the State of Texas (formerly known as Red River Redevelopment Authority). TexAmericas Center is governed by a board of directors chosen by vote of the governing bodies of Bowie County, Texas and the cities of Texarkana, New Boston, Hooks, Nash, Wake Village, Leary, Redwater, Maud, DeKalb, and Red Lick, Texas. Board members serve two-year terms. TexAmericas Center was created to accept title from the United States to all or any portion of the real or personal property situated within, adjacent to, or related to Red River Army Depot, Lone Star Army Ammunition Plant and Watts-Guillot US Army Reserve Center, to promote the location and development of new businesses and industries, and to undertake eligible projects under the authorizing statutes. TexAmericas Center began operating independently from the governing bodies of the participating governmental entities in April 1999. In 2010, TexAmericas Center underwent a rebranding for marketing and development of their real estate. During the rebranding, the property was renamed from Red River Commerce Park to TexAmericas Center. The property is currently divided into three parcels: TexAmericas Center East, TexAmericas Center West and TexAmericas Center Central. In fiscal year 2011, the State of Texas passed legislation to legally change the name from Red River Redevelopment Authority to TexAmericas Center. On May 12, 2011, the governor signed the legislation and the name change was official.

B. RELATED ORGANIZATIONS

TexAmericas Center's Board of Directors is also responsible for appointing the members of the boards of other organizations, but TexAmericas Center's accountability for these organizations do not extend beyond making the appointments. The Board of Directors appoints a member of the Riverbend Water Resources District board. The position is appointed with an individual who is not a member of the Board of Directors.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements consist of the statement of net assets and the statement of activities. They include all funds of TexAmericas Center. Governmental activities are reported separately from business-type activities. Governmental activities include programs supported primarily by intergovernmental revenues and lease revenues. Business-type activities include operations that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) leases on property, timber sales, personal property sales, and charges for water, waste water, and industrial waste water services and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Investment earnings are not included among program revenues and are reported instead as general revenues.

Indirect expenses of governmental activities are reported in the general government function. Indirect expenses are reported as overhead in business-type activities and allocated across the water, waste water, and industrial waste water functions based on the percentage of labor associated with each system.

Separate financial statements are provided for governmental funds and proprietary funds.

D. BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measureable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, TexAmericas Center considers revenues to be available if they are collected within 120 days of the end of the current fiscal period in order to properly match grant funding with TexAmericas Center's budget. Payment requests for amounts reflected on the financial statements as due from other governments are prepared and submitted within 30 days of year end. Payment of the funds requested can take up to 120 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures are recorded when payment is due.

Revenue sources such as lease revenues, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other items are considered to be measureable and available only when cash is received by TexAmericas Center.

TexAmericas Center reports the following major governmental fund:

General Fund – This fund is the general operating fund of TexAmericas Center. It is used to account for all financial resources except those required to be accounted for in another fund.

TexAmericas Center reports the following major proprietary fund:

Enterprise Fund – This fund is used to account for water, waste water, and industrial waste water services provided to the Red River Army Depot (RRAD), tenants, and property owners on TexAmericas Center East and Central campuses.

The accounting and reporting policies of TexAmericas Center relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants, and by the Financial Accounting Standards Board (when applicable). As allowed by GASB's Codification of Governmental Accounting and Financial Reporting Standards, TexAmericas Center has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between TexAmericas Center's water and waste water functions and the governmental function. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of TexAmericas Center are water, waste water, and

industrial waste water charges and reimbursable service work. Operating expenses for the proprietary fund include the cost of service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.
When both restricted and unrestricted resources are available for use, it is TexAmericas Center's policy to use unrestricted resources first, and then restricted resources as they are needed.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET ASSETS/FUND BALANCE

1. Cash and Cash Equivalents

TexAmericas Center's cash and cash equivalents include amounts in demand deposit, negotiable order of withdrawal, and money market accounts, as well as certificates of deposit with a maturity of 90 days or less.

2. Investments

It is TexAmericas Center's policy to purchase investments with maturity dates coinciding with cash flow requirements. The average maturity of investments of TexAmericas Center's operating funds cannot exceed one year. The maximum maturity of any investments cannot exceed five years. Using this strategy, TexAmericas Center attempts to purchase the highest yielding allowable investments available at the time of purchase. The basis used to determine whether market yields are being achieved is the average rate of return on United States Treasury Bills for a comparable term.

Under TexAmericas Center's investment policy, the following are authorized investments: obligations issued, guaranteed, or insured by the United States of America which have a liquid market value, including letters of credit, direct obligations of the State of Texas; other obligations which are guaranteed or insured by the State of Texas or the United States; obligations of the states, counties, cities, and other political subdivisions of any state which have an investment quality rating no less than "A" or its equivalent; financial institution deposits of banks or credit unions that have a main office or branch in Texas and participates in the Certificate of Deposit Account Registry Service; fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States; investment pools rated no lower than AAA or AAA-m with a maturity of 90 days or less; money market mutual funds which have a rating of AAA, a maturity of 90 days or less, and are registered with the Securities and Exchange Commission. Guaranteed investment contracts are allowed for investments of bond proceeds only and must be secured by obligations of the United States in an amount equal to 102% of the investment balances.

The following summarizes the minimum diversification standards of TexAmericas Center by investment type and issuer:

Investment Type	*Percentage of Total Investments*
U.S. government agencies and instrumentalities	Not to exceed 80%
Fully insured or collateralized CDs	Not to exceed 100%
Repurchase agreements	Not to exceed 50%
Money market fund:	
Operating funds	Not to exceed 100%
Bond funds	Not to exceed 100%
Local government investment pools	
Liquidity pools	Not to exceed 100%
Fixed rate/maturity pools	Not to exceed 80%

All deposits and investments of TexAmericas Center funds other than direct purchases of securities, pools, or mutual funds must be secured. With the exception of deposits secured with irrevocable letters of credit at 100% of the invested balance, all deposits of funds with financial institutions must be collateralized with marketable securities at 102% of the market value of principle and accrued interest on the deposits or investments, less an amount insured through Federal Deposit Insurance.

TexAmericas Center's investment policy does not specifically address foreign currency risk; however, TexAmericas Center does not hold any investments that pose a foreign currency risk.

Investments for TexAmericas Center are reported at fair value. Short-term investments, such as certificates of deposit, with a maturity date of less than one year, are reported at cost plus interest earned, which approximates fair value. On September 30, 2013, TexAmericas Center had $0 invested in certificates of deposit.

For purposes of the statement of cash flow, the proprietary fund considers cash in bank, money market and savings accounts, and certificates of deposit with a maturity of 90 days or less as cash and cash equivalents. All other certificates of deposit are considered to be investments.

3. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is referred to as either "due to/from other funds". Any residual balances outstanding between TexAmericas Center's governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

TexAmericas Center provides allowances for uncollectable receivables in compliance with generally accepted accounting principles. However, at September 30, 2013 the balance of the allowance account is $0 since management believes all receivables to be fully collectible.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

5. Restricted Assets

Certain proceeds of proprietary fund revenue bonds, as well as resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Restricted assets also include facility charges from customers for the proprietary fund. Their use is limited to capital improvements for the water, waste water, and industrial waste water systems.

6. Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (roads, rail, and similar items) are reported in the applicable governmental or business-type activities columns of the government-wide financial statements.

Governmental activities:

Capital assets are defined by governmental activities as assets with a normal service life greater than five years and an initial individual cost or fair value of more than $5,000. Capital assets are valued at historical cost, except for donated fixed assets, which are recorded at their estimated fair value on the date of donation. Estimated fair value was used to value the assets acquired from the United States Army, "the Army", on June 30, 1997, September 1, 2010, and September 30, 2011.

Prior to October 1, 2003, infrastructure assets associated with governmental activities were not capitalized. TexAmericas Center has elected to capitalize infrastructure assets prospectively starting October 1, 2003. Infrastructure consists of roads and rail for the governmental activities.

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.

Depreciation is provided using the straight line method over the following estimated useful lives:

Capital Assets Classes	*Lives*
Buildings	20 years
Improvements	15 years
Machinery and Equipment	5-10 years
Infrastructure	20-60 years

Business-type activities:

Capital assets are defined by business-type activities as assets with a normal service life greater than five years and an initial, individual cost or fair value of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation is provided using the straight line method over the following estimated useful lives:

Capital Asset Classes	*Lives*
Machinery and Equipment	5-10 years
Utility System	20-60 years
Intangible Assets	20-60 years

7. Compensated Absences

TexAmericas Center utilizes the accrual method for recording compensated absences. TexAmericas Center provides vacation and sick leave benefits for all full-time employees. Vacation time is accrued at the rate of 1.25 days for each month of service for a total of 15 days each year. Vacation time of up to 200 hours can be carried forward to succeeding fiscal years without prior approval. Sick leave is earned at a rate of 1 day for each month of service. It terminates on the last day of employment. Vested or accumulated vacation that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. It is TexAmericas Center’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, “Accounting for Compensated Absences,” no liability is recorded for accumulating rights to receive sick pay benefits.

8. Long-term Obligations

In the government-wide financial statements and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond issuance costs are reported as deferred outflows and amortized over the term of the related debt.

9. Fund equity

In accordance with GASB No. 54, TexAmericas Center classifies its fund balance into five categories. Non-spendable fund balance includes amounts that are not in a spendable form or are required to be maintained intact. Restricted fund balance includes amounts that are constrained to specific purposes by their providers or by enabling legislations. Committed fund balance includes amounts which are constrained to specific purposes by the government itself, using its highest level of decision-making. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint. Assigned fund balance includes amounts a government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates. Unassigned fund balance includes amounts that are available for any purpose. Unassigned fund balances are only reported in the general fund.

TexAmericas Center’s highest level of decision-making authority is governed by the Board of Directors. Passage of a resolution would be required to establish, modify, or rescind a fund balance commitment. The Board of Directors or Executive Director/CEO has the Authority to assign amounts to specific purposes. The Board of Directors has delegated routine operating decision-making to the Executive Director/CEO.

TexAmericas Center considers restricted amounts spent when expenditures are incurred for purposes for which only restricted fund balance is available. Expenditures incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used are classified using the lowest level of spending constraint available at the time of the expenditure.

10. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

The governmental fund balance sheet includes a reconciliation between *total governmental funds balances* and *net assets of governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds." The details of the $553,435 difference are as follows:

Notes Payable	$ 501,430
Compensated Absences	52,005
Net Adjustment to reduce *total governmental fund balances* to arrive at *net position of governmental*	$ 553,435

Another element of that reconciliation explains that "capital assets used in governmental activities are not financials resources and, therefore, not reported in the funds." The details of this $48,541,127 difference are as follows:

Capital Assets	$ 62,188,629
Additions to Capital Assets	989,849
Sales & Transfer of Capital Assets	(1,968,162)
Depreciation of Capital Assets	(12,669,189)
Net Ajustment to increase *total governmental fund balances* to arrive at *net position of governmental*	$ 48,541,127

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balance – total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this ($1,096,092) difference are as follows:

Capital Outlay	$	675,986
Deprecitaion Expense		(1,772,078)
Net Adjustment to decrease *net change in fund balances - total governmental funds* to arrive at *change in net position of governmental activites*	$	(1,096,092)

Another element of that reconciliation states that "The net effect of various sales and transfers of capital assets is to decrease net assets. The details of this $659,226 difference are as follows

Capital Assets Sold	$	(659,226)
Capital Assets Transferred		-
Net Adjustment to decrease *net change in fund balances - total governmental funds* to arrive at *change in net position of governmental activities*	$	(659,226)

Another element of that reconciliation states that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position." The details of this $139,046 difference are as follows:

Debt issued or incurred:		
Line of Credit	$	-
Principal Payments:		
Line of Credit		81
Notes Payable		138,965
Net Adjustment to increase *net change in fund balances - total governmental funds* to arrive at *change in net position of governmental activities*	$	139,046

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds." The details of this $11,578 difference are as follows:

Compensated Absences	$	(11,578)
Net Adjustment to increase *net change in fund balances- total governmental funds* to arrive at *change in net position of governmental activities*	$	(11,578)

NOTE 3 – STEWARDSHIP, COMPLIANCE AND RESPONSIBILITY

A. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general and proprietary funds. Prior to September 30, the Executive Director/CEO submits to the Board of Directors the proposed expenditures and the means of financing them. Prior to October 1, the budget is legally enacted through passage of a resolution. Any revisions that alter the budget of any fund must be approved by the Board of Directors. Budgets presented are as originally adopted, or as amended by TexAmericas Center. The amendments included several material changes to the original appropriation due to the addition of the Real Estate, Marketing, & Sales program and a mid-year operating grant that was not included in the original budgeted.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2013, there were no programs in which expenditures exceeded appropriations in the general fund.

NOTE 4 – DEPOSITS AND INVESTMENTS

On September 30, 2013, all of TexAmericas Center's cash and investments were covered by either federal depository insurance or collateral held by the pledging financial institution's agent in TexAmericas Center's name.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies.

Among other things, it requires TexAmericas Center to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principle and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize TexAmericas Center to invest (1) in obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Public Funds Investment Act (PFIA) governs TexAmericas Center's investment policies and types of investments. TexAmericas Center's management believes that it complied with the requirements of the PFIA and TexAmericas Center's investment policies described in Note 1.

Concentrations of credit risk of over 5% by issuer on September 30, 2013 are as follows:

Investment Type	*Issuer*	*Fair Value*	*% of Total Investments*
Cash	Guaranty Bank	$ 5,186,336.00	53.45%
Cash	Guaranty Bank	$ 2,994,883.00	31.04%
Cash	Guaranty Bank	$ 815,844.00	8.46%
Cash	Guaranty Bank	$ 680,463.00	7.05%

NOTE 5 – RECEIVABLES

Receivables as of year-end for TexAmericas Center are as follows:

	General	Proprietary	Total
Receivables:			
Leases	$ 24,860	$ -	$ 24,860
Utilities	34,624	840,524	875,148
Misc	23	-	23
Reimbursement	10,332	-	10,332
Gross Receivables	69,839	840,524	910,363
Less: Allowance for Uncollectibles	-	-	-
Net Total Receivables	$ 69,839	$ 840,524	$ 910,363

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, TexAmericas Center had no deferred revenue and no unearned revenue.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013 was as follows:

	Balance October 1, 2012	Additions	Sales	Transfers	Balance September 30, 2013
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land & Timber	$ 21,232,821	$ 183,632	$ (1,872,114)	$ -	$ 19,544,339
Buildings - Salvage	1,477,239	-	-	-	1,477,239
Roads & Rail - Salvage	2,036,129	-	-	-	2,036,129
Equipment - Salvage	248,256	-	-	-	248,256
Construction in Progress	99,047	582,045	-	(446,120)	234,972
Total Capital Assets, Not Being Depreciated	25,093,492	765,677	(1,872,114)	(446,120)	23,540,935
Capital Assets, Being Depreciated:					
Buildings & Improvements	19,729,355	111,022	-	446,120	20,286,497
Roads & Rail	17,043,279	-	-	-	17,043,279
Equipment	322,503	113,150	(96,048)	-	339,605
Total Capital Assets, Being Depreciated	37,095,137	224,172	(96,048)	446,120	37,669,381
Less Accumulated Depreciation For:					
Buildings & Improvements	(8,980,730)	(1,039,407)	-	-	(10,020,137)
Roads & Rail	(1,799,444)	(652,615)	-	-	(2,452,059)
Equipment	(116,937)	(80,056)	-	-	(196,993)
Total Accumulated Depreciation	(10,897,111)	(1,772,078)	-	-	(12,669,189)
Total Capital Assets, Being Depreciated, Net	26,198,026	(1,547,906)	(96,048)	446,120	25,000,192
Governmental Capital Assets, net	$ 51,291,518	$ (782,229)	$ (1,968,162)	$ -	$ 48,541,127

	Balance October 1, 2012	Additions	Retirement	Transfers	Balance September 30, 2013
Business-type Activities:					
Capital Assets, Not Being Depreciated:					
construction in progress	$ 2,463,978	$ 4,888,351	$ -	$ (855,831)	$ 6,496,498
Total Capital assets, Not Being Depreciated	2,463,978	4,888,351	-	(855,831)	6,496,498
Capital Assets, Being Depreciated:					
Donated Utility System	6,958,811	-	(3,798,659)	-	3,160,152
Utility System Improvements	4,207,414	898,732	(139,021)	-	4,967,125
Intangible Assets	334,003	-	-	-	334,003
Equipment	1,162,327	-	-	-	1,162,327
Total Capital Assets, Being Depreciated	12,662,555	898,732	(3,937,680)	-	9,623,607
Less Accumulated Depreciation For:					
Donated Utility System	(2,248,941)	(223,047)	819,953	-	(1,652,035)
Utility System Improvements	(458,307)	(145,982)	-	-	(604,289)
Intangible Assets	(49,298)	(8,350)	-	-	(57,648)
Equipment	(553,794)	(140,570)	-	-	(694,364)
Total Accumulated Depreciation	(3,310,340)	(517,949)	819,953	-	(3,008,336)
Total Capital Assets, Being Depreciated, Net	9,352,215	380,784	(3,117,727)	-	6,615,271
Governmental Capital Assets, net	$ 11,816,193	$ 5,269,134	$ (3,117,727)	$ (855,831)	$ 13,111,769

In prior years, TexAmericas Center acquired property donated by the United States Government. The approximate fair value of the donated property was $2,883,600, which consisted of land, buildings, improvements, and roads. TexAmericas Center also acquired the property formerly known as Lone Star Army Ammunition Plant with an approximate fair market value of $46,240,222, which consisted of land, buildings, roads, rail and a water utility system. The donated water utility system, valued at $1,508,119 is reflected in the business-type activity capital assets. The remaining donated assets, with a total value of $44,732,103 are reflected in the governmental activities capital assets.

Depreciation for governmental activities is charged to the planning and marketing function. Depreciation for business-type activities is charged to the water and sewer function.

Construction Commitments

TexAmericas Center has active construction projects as of September 30, 2013. The projects include improvements to the water plant, waste water plant, and the industrial waste water plant.

NOTE 7 – INTERFUND RECEIVEABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 3013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Proprietary	$3,975

The purpose of the interfund balances is to reimburse the general fund for payroll expenses paid on behalf of the proprietary fund.

NOTE 8 – LONG-TERM OBLIGATIONS

Governmental funds long-term debt:

During the year ended September 30, 2004, TexAmericas Center negotiated loans with a local financial institution to finance new construction of two buildings. The bank was given a first mortgage on the two buildings in exchange for two notes in the amounts of $1,200,000 and $400,000. At September 30, 2005, TexAmericas Center had drawn all of these notes. TexAmericas Center began making payments on the two notes in the year ended September 30, 2004. Interest on the notes was variable at 1% below the index rate referred to as the "National Prime Rate" and could range from 3% to 5.75%. In December 2009, TexAmericas Center paid the loan originally for $1,200,000 in full and in April 2010, the loan originally for $400,000 was also paid in full. In December 2009, TexAmericas Center negotiated new financing on the buildings.

The bank was given a mortgage on one building in exchange for a note in the amount of $985,600. The new note has a term of seven years and an interest rate of 3.59%. In October 2009, TexAmericas Center negotiated with a local financial institution for a line of credit in the amount of $1,500,000 with an interest rate of 3.25%. This line of credit was paid in full on October 7, 2011. On that date, TexAmericas Center negotiated with a local financial institution for a line of credit in the amount of $1,500,000 with an interest rate of 2.75%. At year end, TexAmericas Center had drawn $81 on the line of credit. Interest expense paid during the year totaled $21,000 .

Payout of governmental funds long-term debt at September 30, 2013 is as follows:

Requirements Year Ending September 30	**Principal**	**Interest**	**Total**
2014	$ 143,908	$ 16,055	$ 159,963
2015	149,303	10,659	159,962
2016	155,563	4,399	159,962
2017	21,136	407	21,543
Total	$ 469,910	$ 31,520	$ 501,430

A summary of governmental funds long-term debt transactions follows:

Original Note Balance	**Balance 10/1/12**	**Borrowings**	**Repayments**	**Balance 9/30/13**
$985,600	$ 640,395	$ -	$ 138,965	$ 501,430
Line of Credit	81	-	81	-
	$ 640,476	$ -	$ 139,046	$ 501,430

Proprietary fund long-term debt:

TexAmericas Center applied for and received financial assistance from the Texas Water Development Board in the form of revenue bonds to finance water and waste water capital projects. The TexAmericas Center, Waterworks and Sewer System Revenue Bonds, Taxable Series 2005, in the amount of $8,000,000 were purchased by the Texas Water Development Board in the year ended September 30, 2005 and will expire in mature in 2022. The bonds are secured by and payable from a first lien on and pledge of the net revenues of the system. Interest rates on the bonds range from 3.25% to 5.85%. Interest expense for the current year totaled $299,955.

Payout of the proprietary fund long-term debt, excluding the contingency reserve, at September 30, 2013 is as follows:

Requirements Year Ending September 30	Principal	Interest	Total
2014	$ 455,000	$ 281,830	$ 736,830
2015	480,000	258,626	738,626
2016	505,000	233,426	738,426
2017	530,000	206,408	736,408
2018	560,000	177,522	737,522
2019-2022	2,550,000	377,978	2,927,978
Total	$ 5,080,000	$ 1,535,790	$ 6,615,790

Bond covenants require that TexAmericas Center to have a debt coverage ratio of more than 1.2 to 1 before additional debt can be issued. The ratio at September 30, 2013 was 2.11 to 1.

Water & Sewer Revenue Bonds

Enterprise Fund Operating Revenues	Add: Facility Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2,625,417	1,391,658	(2,457,686)	1,559,389	435,000	303,580	2.11

Changes in long-term liabilities:

Long-term liability activity for the year-ended September 30, 2013, was as follows:

	Balance 10/1/12	Borrowings	Repayments	Balances 9/30/13	Due Within One Year
Governmental Activities:					
Notes Payable	$ 640,476	$ -	$ (139,046)	$ 501,430	$ 149,303
Compensated Absences	40,426	11,579	-	52,005	3,273
Governmental Activities Long-Term Liabilities	$ 680,902	$ 11,579	$ (139,046)	$ 553,435	$ 152,576
Business-type Activities:					
Revenue Bonds	$ 5,515,000	$ -	$ (435,000)	$ 5,080,000	$ 455,000
Compensated Absences	22,854	13,387	(9,075)	27,166	9,075
Business-type Activities Long-Term Liabilities	$ 5,537,854	$ 13,387	$ (444,075)	$ 5,107,166	$ 464,075

NOTE 9 – LEASES OF PROPERTY

In the course of operations, TexAmericas Center's general fund leases property received from the Army to various individuals and private companies. A summary of future minimum rentals due to TexAmericas Center on major non-cancelable leases in the aggregate and for each of the next five years are as follows:

For the Year Ended September 30	*Minimum Lease*
2014	$ 709,114
2015	327,513
2016	100,533
2017	34,984
2018	30,954
2019 and after	-
Total	$ 1,203,099

NOTE 10 – WATER SUPPLY AND WASTE WATER TREATMENT CONTRACT WITH RED RIVER ARMY DEPOT

Volumetric Charges and Operating Revenues

Two different volumetric rates agreed to in the contract with the Army multiplied by the Army's stipulated annual usage expressed as a percentage of the entire rate base create set payments that produce operating revenue for the system. These two rates are referred to as the Fixed Volumetric Charge and the Variable Volumetric Charge. There is a settlement of the Variable Volumetric Charge annually to account for inflation, projected demand for use, and several other factors. The Fixed Volumetric Charge is subject to adjustment every 5 years based on the weighted average annual usage by the army expressed as a percentage of the entire rate base. Both the Fixed and Variable Volumetric Charges ratchet upwards in years 5, 10, and 15 of the contract. TexAmericas Center and the Army were required to complete an annual settlement and a 5-year settlement using cumulative data through September 30, 2013. TexAmericas Center completed its required reporting to meet the annual and cumulative settlement.

The annual settlement with the Army resulted in a net liability for the year-ended September 30, 2013 in the amount of $128,809 , which is the net effect of the year-end 2012 and 2013 army settlements. This amount is shown on the statement of net assets as "Accounts Payable – Army Settlement."

Facility Charge and Capital Investment Recovery

Long-term recapitalization of the assets is accomplished through an annual payment that is derived by taking the net present value of a pre-defined 20-year capital budget and dividing the amount into 20 equal annual payments. The annual payment is referred to as the system Facility Charge. Because future capital requirements are known to change and because actual expenditures in a given year may be different than the budget, the contract terms required an accounting for these changes. Every 5 years, the parties may renegotiate the Facility Charge to address these deviations in the program and to adjust for implied discount rates within the model and other issues. The net proceeds from all Facility Charges collected are held by TexAmericas Center in a separate fund and managed consistent with generally accepted municipal investment practices.

NOTE 11 – EMPLOYEE RETIREMENT SYSTEM

TexAmericas Center sponsors a defined contribution plan for those employees that elect to participate. The plan is a Government Plan as defined in Internal Revenue Code Section 457(b) and is administered through InWest Retirement Solutions and Wachovia Financial Services. All employees of TexAmericas Center are eligible to elect participation in the plan. Employees may contribute, by salary reduction, a percentage as specified in the Internal Revenue Code. TexAmericas Center matches the employee contributions on a discretionary basis. Employees are eligible for employer contributions after 6 months of employment. The current policy matches up to 12.5% of employee compensation based on the following rates: 2 for 1 up to the first 4% of compensation; 1 for 1 within 5-7% of compensation; .5 to 1 within 8-10% of compensation. Employees vest after 6 months.

NOTE 12 - CONTIGENCIES

TexAmericas Center receives grant funding from the U.S. Department of Defense, Office of Economic Adjustment, U.S. Department of Commerce, Economic Development Administration, and Texas Department of Economic Development. Expenditures financed by grants are subject to audit by the appropriate grantor agency. If expenditures are disallowed due to noncompliance with grant program regulations, TexAmericas Center may be required to reimburse the grantor agency. As of September 30, 2013, significant amounts of grant expenditures have not been audited but TexAmericas Center believes that disallowed expenditures, if any, will not have a material effect on the overall financial position of TexAmericas Center.

NOTE 13 – RISK MANAGEMENT

TexAmericas Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which TexAmericas Center carries commercial insurance. There has been no major reduction of insurance coverage from prior years.

NOTE 14 – ARMY CONTRACT RENEGOTIATIONS

In a letter dated December 8, 2011, TexAmericas Center formally asked the Red River Army Depot to renegotiate its water supply and sewage treatment contract. The renegotiation aims to convert a fixed annual fee structure negotiated in 2002 to a rate structure modeled after traditional utility rate design. Negotiations began on December 20, 2011 and continue through the date of these financials. The proposal submitted contemplated the completion of the rate change with the beginning of fiscal year 2014.

NOTE 15 – PURCHASE OF WATER FROM TEXARKANA, TEXAS

Economic Development Water System Transfer Contract

TexAmericas Center entered into a contract with the City of Texarkana, Texas (the City) to transfer the water utility infrastructure on TexAmericas Center – East to the City. On July 5, 2012, TexAmericas Center transferred the system interconnect and bypass line to the City for consideration in the amount of $244,500. The contract also contemplates a fee of $0.03 per kilo gallon of water supplied to customers on TexAmericas Center – East. The assets attributable to the water lines were transferred and retired in fiscal year 2013.

NOTE 16 – CHANGES TO BEGINNING NET POSITION:

Governmental Funds: The prior year ending balance to net position differs from the current years beginning balance due to adjustments of $96,496 and $1,212,440, both decreasing the net position, due to previously sold timber assets which occurred in fiscal years 2011 and 2012, respectively. These assets were not properly written down to reflect the disposal of assets. In addition, the prior year ending balance to net position changed from the current years beginning balance due to adjustments of $85,400 and $28,111, both increasing the net position, due to reforestation expenses in fiscal year 2012 which should have been capitalized and for equipment donated in fiscal year 2012 but not recorded in the general ledger, respectively. The net effect of the four prior period adjustments is a decrease to the beginning balance of the general fund net position of $1,195,426.

Enterprise Fund: The prior year ending balance to net position differs from the current years beginning balance due to the Center's implementation of GASB 65, which requires bond issuance costs to be expensed in the period they were incurred. As the costs were incurred in 2005, the adjustment was made to decrease the net position in the amount of $103,999.

	Reported in Prior Period		Prior Period Restatements		Adjusted Ending Net Assets for Prior Period	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Net Investment in Capital Assets	50,651,042	12,169,630	(1,195,426)	(103,999)	49,455,617	12,065,631
Restricted for Capital Improvement		1,167,660			-	1,167,660
Restricted for Bond Reserves	-	836,444			-	836,444
Unrestricted	3,977,503	736,299			3,977,503	736,299
Total Net Position	54,628,545	14,910,033	(1,195,426)	(103,999)	53,433,119	14,806,034

Note 17 - SUBSEQUENT EVENTS

In January 2011, TexAmericas Center received a letter giving Notice of Intent to file suit for alleged violations of the Federal Clean Water Act. TexAmericas Center retained counsel to represent it in this matter. TexAmericas Center's counsel investigated the allegations and the potential to resolve the matter without litigation being filed. TexAmericas Center generally follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or determinable in amount. This claim does not meet TexAmericas Center's requirements to be recorded.

On January 8, 2014 TexAmericas Center sent a request for Proposals for Private Placement Providers to make offers of purchasing the $5,110,000 outstanding bonds and also issuing a new series of bonds of $6,900,000. The $5,110,000 (Series 2014A) would only be refinancing the current debt already illustrated on the Statement of Net Assets as "Revenue Bonds Payable". However, the $6,900,000 (Series 2014B) will be new debt issued to TexAmericas Center. The proceeds from Series 2014B will be used for the purpose of construction, maintenance, repair & improvement of the Center's water, industrial waste & wastewater system.

As of September 30, 2013 TexAmericas Center was in negotiation with the US Army regarding the awarding of an Environmental Services Cooperative Agreement grant (ESCA). There is a high probability that TexAmericas will be awarded this grant in the amount of $12,300,000. The purpose of this grant is to conduct certain Army Environmental Responsibilities for the next five years.

In preparing these financial statements, TexAmericas Center has evaluated events and transactions for potential recognition or disclosure through February 27, 2014, the report issuance date.

TexAmericas Center

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2013

Federal Grantor/Program	Federal CFDA Number	Pass-Through Grantor's Number	Program Federal Expenditures
Department of Defense			
Community Economic Adjustment Planning Assistance	12.607	N/A	$ 745,214
Total Department of Defense			$ 745,214
Total Federal Financial Assistance			$ 745,214

Note A: CFDA number 12.607 was considered a major program.

Note B: Program federal expenditures include the federal portion of allowable expenditures, reported on accrual basis.

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards

To the Members of the Board
TexAmericas Center
New Boston, Texas

We have audited the financial statements of TexAmericas Center, as of and for the year ended September 30, 2013, and have issued our report thereon dated February 27, 2014.

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. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Internal Control Over Financial Reporting

The management of TexAmericas Center is responsible for establishing and maintaining effective internal control. In planning and performing our audit of the financial statements and compliance, we considered TexAmericas Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TexAmericas Center's internal control. Accordingly, we do not express an opinion on the effectiveness of TexAmericas Center's internal control over financial reporting and internal control over compliance.

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 TexAmericas Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of TexAmericas Center's financial statements or noncompliance that is more than inconsequential will not be prevented or detected by TexAmericas Center's internal controls.

A material weakness is a significant deficiency, or combination significant deficiencies, that result in more than a remote likelihood that a misstatement of TexAmericas Center's financial statements will not be prevented or detected by TexAmericas Center's internal controls.

Our consideration of internal control was for the limited purposes 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TexAmericas Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the Organization in a separate letter dated February 27, 2014.

This report is intended solely for the information and use of the management, members of the board, others within the entity and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Vail + Knauth, LLP

Dallas, Texas
February 27, 2014

Report of Independent Auditors on Compliance with Requirements that Could Have a Direct and Material Effect On Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Members of the Board
TexAmericas Center
New Boston, Texas

Compliance

We have audited the compliance of TexAmericas Center with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A* -133 *Compliance Supplement* (OMB Circular A-133) that could have a direct and material effect on each of TexAmericas Center's major federal programs for the year ended September 30, 2013. TexAmericas Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of TexAmericas Center's management. Our responsibility is to express an opinion on TexAmericas Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the OMB Circular A-133, *audits of States, Local Governments, and Non-Profit Organizations.* Those standards require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about TexAmericas Center's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of TexAmericas Center's compliance with those requirements.

In our opinion, TexAmericas Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2013.

Internal Control Over Compliance

The management of TexAmericas Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered TexAmericas Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of TexAmericas Center's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 TexAmericas Center's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by TexAmericas Center's internal controls.

A material weakness is a significant deficiency, or combination significant deficiencies, that result in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by TexAmericas Center's internal controls.

Our consideration of internal control was for the limited purposes 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, as defined above. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of TexAmericas Center, as of and for the year ended September 30. 2013, and have issued our report thereon dated February 27, 2014, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise TexAmericas Center's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

Vail + Knauth, LLP

Dallas, Texas
February 27, 2014

Section I – Summary of Auditor's Results

Financial Statements	Unqualified
Type of auditor's reports issued:	
Internal control over financial reporting:	
• Significant deficiencies identified?	NO
• Significant deficiencies identified that are considered to be a material weakness?	NO
Noncompliance material to the financial statements noted?	NO
Federal Awards	
Internal control over major federal programs:	
• Significant deficiencies identified?	NO
• Significant deficiencies identified that are considered to be a material weakness?	NO
Type of auditor's report issued on compliance for major federal programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with the OMB Circular A-133?	NO

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
12.607	Community Economic Adjustment Planning Assistance

Dollar threshold to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as a low-risk auditee in the context of OMB Circular A-133?	YES

Section II – Financial Statement Findings

No findings to be reported.

Section III –Federal Award Findings and Questioned Costs

No findings to be reported.

Prior Year Financial Statement, Federal Award Findings and Questioned Costs

Not applicable.

Corrective Action Plan

Not applicable.

TexAmericas Center

Economic Development Conveyance Supplemental Schedule
Schedule of No Cost EDC Revenues and Expenses/Expenditures
For the Year Ended September 30, 2013

	Governmental Funds	Proprietary Funds	Total
Revenues			
Lease Revenue	$ 378,432	$ -	$ 378,432
Timber Sales	720,251	-	720,251
Personal Property Sales	321,268	-	321,268
Hunting Revenue	10,485	-	10,485
Utility Revenue	-	14,977	14,977
Grants	985,487	-	985,487
Road Reclamation	6,603	-	6,603
Total Revenue	2,422,526	14,977	2,437,503
Expenditures/Expenses			
Planning & Marketing	1,888,334	10,928	1,899,262
Total Expenditures	1,888,334	10,928	1,899,262
Excess (Deficiency) of Revenues Over Expenditures/Expenses	534,192	4,049	538,241
Nonoperating Revenues, Expenditures/Expenses, and Transfers			
Facility Charges-Tenant	-	7,857	7,857
Transfers In (Out)	-	(2,461,958)	(2,461,958)
Sale of Assets	(659,226)	-	(659,226)
Total Nonoperating Revenues, Expenditures/Expenses, and Transfers	(659,226)	(2,454,101)	(3,113,327)
Capital Investments			
Utility Plant & Improvements	-		-
Reforestation	98,232		98,232
Facility Maintenance Equipment	10,667	-	10,667
Building Improvements	57,588	-	57,588
Equipment	20,615	-	20,615
Construction in Progress	210,190	-	210,190
Total Capital Investments	397,292	-	397,292
Excess (Deficiency) of Revenues Over Expenditures/Expenses & Capital Investr	272,258	(2,450,052)	(2,177,794)
Fund Balance-Beginning of Year	48,410,464	3,304,312	51,714,776
Fund Balance-End of Year	$ 48,682,722	$ 854,260	$ 49,536,982