TexAmericas CENTER

RESOLUTION NO. 20160927-03

ACCEPTANCE OF FISCAL YEAR 2016 AUDITED ENTERPRISE FUND 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 #20160823-01** of the Board of Directors, TexAmericas Center hired auditors Knauth & Company, P.C. and provided them with the unaudited financial statements of TexAmericas Center' Enterprise Fund 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 2016 Audited Enterprise Fund Financial Statements are hereby accepted as presented in the attachment hereto.

PASSED AND APPROVED THIS 27th day of September, 2016.

Denis Washington, Chairman of the Board

ATTEST:

Melford Pierce, Secretary

Attached: FY 2016 Audited Enterprise Fund Financials

TEXAMERICAS CENTER'S ENTERPRISE FUND

FINANCIAL REPORT FOR THE PERIOD FROM

October 1, 2015 to April 30, 2016

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Knauth & Company PC

Chris E. Knauth, CPA
Charles T. Gregg, CPA
Don E. Graves, CPA

Members:
American Institute of CPAs
Texas Society of CPAs

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of TexAmericas Center for the period from October 1, 2015 to April 30, 2016, and the related notes to the financial statements, which collectively comprise the Center'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 business-type activities of TexAmericas Center, for the period from October 1, 2015 to April 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the period 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 on pages 3 through 6 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

8950 Gary Burns Drive Suite D Frisco, TX 75034
(972) 689-4150

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.

Knauth & Company, PC

Knauth & Company, P.C.
August 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the TexAmericas Center (Center), we offer readers of the TexAmericas Center's financial statements this narrative overview and analysis of the Enterprise Fund financial activities of the TexAmericas Center for the seven months ended April 30, 2016. The other funds and financial activities of the Center are not included in this audit.

Financial Highlights

- The assets of the Enterprise Fund of the Center exceeded its liabilities at the close of the most recent fiscal year by $14,462,713 (*net position)*. Of this amount, $2,501,306 *(unrestricted net position)* may be used to meet the Center's ongoing obligation to citizens and creditors.

- The Enterprise Fund of the Center's total net position increased by $419,463 for the seven month period October 1, 2015 through April 30, 2016.

- TexAmericas Center has entered into an agreement with Riverbend Water Resources District to sale/transfer all of the wet utility systems effective May 1, 2016.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the TexAmericas Center's Enterprise Fund financial statements. The Center's Enterprise Fund financial statements comprise three components: 1) Statement of Net Position, 2) Statement of Revenues and Expenses, and 3) Notes to the Financial Statements. The Enterprise Fund financial statements are a proprietary fund type and distinguish functions that are intended to recover all or a significant portion of their costs through user fees and charges The activities of the Enterprise Fund include water, wastewater and industrial wastewater services.

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

The *statement of activities* presents information showing how the Center Enterprise Fund'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. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. unbilled services and earned but unused vacation leave.)

The proprietary fund financial statements can be found on pages 17-20 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 21-40 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Center's financial position. As indicated by the total net position amount at April 30, 2016, assets exceeded liabilities by $14,515,637. The largest portion of the Center's net position ($9,532,039 or 66%), reflects its investment in capital assets (e.g., utility system, utility system improvements, intangible assets, equipment and construction in progress), less any debt used to acquire those assets that is still outstanding. The Center uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the 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.

Condensed financial information from the statements of net position and activities as of April 30, 2016 and September 30, 2015 is as follows:

Net Position

	April 30, 2016	*September 30, 2015*
Cash and investments	$ 1,641,258	2,199,176
Other assets	987,650	642,833
Restricted assets	9,746,644	10,352,191
Capital assets	11,919,408	12,179,481
Total assets	24,294,960	25,373,681
Other liabilities	118,806	531,180
Noncurrent liabilities	9,713,441	10,499,251
Total liabilities	9,832,247	11,030,431
Net position:		
Net invested in capital assets	9,532,039	8,535,306
Restricted for capital improvements	462,893	1,127,312
Restricted for bond reserves	1,966,475	2,199,552
Unrestricted	2,501,306	2,181,080
Total net position	$ 14,462,713	14,043,250

An additional portion of the Center's net position, $2,429,368 (17%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($2,501,306) may be used to meet the Center's ongoing obligations to citizens and creditors.

At April 30, 2016, the Center is able to report positive balances in all three categories of net assets. The same situation held true as of September 30, 2015. There was a decrease of $897,496 in restricted net position reported in connection with the Center's Enterprise Fund from September 30, 2015 to April 30, 2016. The Center's net position increased by $419,463 during the seven months ended April 30, 2016.

The following table provides a summary of the Center operations of the seven months ended April 30, 2016. The Center's net position increased by $419,463 for the seven month period as compared to an increase for the prior fiscal year ended September 30, 2015 of $357,706. In the current seven month period, there was operating loss of $8,070 as compared to the prior year operating loss of $295,320.

A condensed version of the Statement of Activities follows:

Change in Net Position

	Seven months ended April 30, 2016	*Fiscal year ended September 30, 2015*
Operating Revenue		
Charges for Service	$ 1,556,835	2,512,970
Operating Grants & Contributions		19,219
Total Operating Revenues	1,556,835	2,532,189
Operating Expenses		
Water	423,307	860,034
Waste Water	713,557	1,233,287
Industrial Waste Water	428,041	734,188
Total Operating Expenses	1,564,905	2,827,509
Operating Income (Loss)	(8,070)	(295,320)
Nonoperating Revenues (Expenses)		
Facility Charges	654,414	1,058,849
Interest Income	47,722	77,267
Interest Expense	(278,147)	(483,090)
Other Revenue	3,544	
Total Nonoperating Revenues (Expenses)	427,533	653,026
Change in Net Position	419,463	357,706
Net Position-Beginning	14,043,250	13,685,544
Net Position - Ending	$ 14,462,713	14,043,250

Capital Assets and Debt Administration

Capital Assets. At April 30, 2016, the Center had $11,919,408 invested in capital assets in the Enterprise Fund, net of accumulated depreciation. The capital assets include utility system, utility system improvements, equipment, intangible and construction in progress.

Capital Assets at Year-End
Net of Accumulated Depreciation

	April 30, 2016	*September 30, 2015*
Utility System	$ 6,532,637	6,532,637
Donated utility system	3,160,153	3,160,153
Utility system improvements	5,397,662	5,397,662
Equipment	1,091,955	1,091,955
Intangible utility assets	334,003	334,003
Construction in progress	310,994	105,808
Subtotal	16,827,404	16,622,218
Accumulated depreciation	(4,907,996)	(4,442,737)
Total capital assets	$ 11,919,408	12,179,481

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

Debt Administration. At April 30, 2016, the Center had bonded debt outstanding of $9,680,000. The bonds are secured by and payable from a first lien on and pledge of the net revenues of the system.

Outstanding Debt at Year End

	April 30, 2016	*September 30, 2015*
Revenue bonds	$ 9,680,000	10,455,000
Accrued compensated absences	33,441	44,251
Total	$ 9,713,441	10,499,251

The Center's bonds payable decreased by $775,000 during the current fiscal year. The decrease is attributable to the scheduled payments on the bonds. The bonds are classified as a current liability in the financial statements since they were subsequently redeemed as part of the sale/transfer of the wet utility system effective on May 1, 2016. The Center maintains a AA+/stable rating from Standard & Poor's for the revenue bonded debt.

Financial Contact

The Center's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Center's finances and to demonstrate the Center's accountability. If you have questions about the report or need additional financial information, please contact Scott Norton, Executive Director/CEO at 107 Chapel Lane, New Boston, Texas, 75570.

TexAmericas Center
STATEMENT OF NET POSITION
Proprietary Fund Type - Enterprise Fund
As of April 30, 2016

		April 30, 2016
Assets		
Current		
Cash in Bank	$	1,641,258
Accounts Receivable		632,253
Due From Other Funds		355,397
Restricted Assets:		
Cash Restricted for Capital Improvements		462,893
Cash Restricted for Bonded Debt Reserves		1,991,121
Cash Restricted for Construction - Bond Proceeds		6,378,100
Certificates of Deposit Restricted for Construction - Bond Proceeds		914,530
Total Current Assets		12,375,552
Noncurrent Assets:		
Capital Assets (Net of Accumulated Depreciation)		11,919,408
Total Noncurrent Assets		11,919,408
Total Assets		**24,294,960**
Liabilities		
Current Liabilities		
Accounts Payable		94,160
Accrued Compensated Absences - Current		33,441
Accrued Interest Payable		24,646
Revenue Bonds Payable - Current		9,680,000
Total Current Liabilities		9,832,247
Total Liabilities		**9,832,247**
Net Position		
Invested in Capital Assets		9,532,039
Restricted for Capital Improvements		462,893
Restricted for Bond Reserves		1,966,475
Unrestricted Net Position		2,501,306
Total Net Position	**$**	**14,462,713**

TexAmericas Center
STATEMENT OF REVENUES AND EXPENSES
Proprietary Fund Type - Enterprise Fund
Actual and Current Annual Budget
For the Seven Months Ended April 30, 2016

	Oct 15-Apr 16	Annual Budget
Operating Revenues		
Charges for Services	$ 1,556,835	$ 2,758,571
Total Operating Revenue	**1,556,835**	**2,758,571**
Operating Expenses		
Water	423,307	789,151
Waste Water	713,557	998,759
Industrial Waste Water	428,041	782,656
Total Operating Expenses	**1,564,905**	**2,570,566**
Operating Income (Loss)	**(8,070)**	**188,005**
Nonoperating Revenues (Expenses)	**427,533**	**782,129**
Change in Net Position	**419,463**	**970,134**
Net Position - Beginning	14,043,250	14,043,250
Net Position - Ending	**$ 14,462,713**	**$ 15,013,384**

TexAmericas Center
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Seven Months Ended April 30, 2016

	Enterprise Fund
Cash flows from operating activities:	
Cash received from customers	$ 1,365,938
Cash paid to suppliers and service providers	(1,343,518)
Cash paid to employees	(344,652)
Net cash provided (used) by operating activities	(322,232)
Cash flows from capital and related financing activities:	
Cash received for facility charges	559,235
Cash paid for acquisition and construction of capital assets	(205,186)
Interest paid on capital debt	(468,002)
Principal paid on capital debt	(775,000)
Net cash provided (used) from capital and related financing activities	(888,953)
Cash flows from investing activities:	
Interest received on investments and deposits	47,722
Purchase of certificates of deposit	(4,261)
Proceeds from maturity of certficates of deposits	4,749,933
Net cash flows provided from investing activities	4,793,394
Net increase in cash	3,582,209
Cash, September 30, 2015	6,891,163
Cash, April 30, 2016	$ 10,473,372
Cash consists of:	
Unrestricted cash	1,641,258
Cash restricted for capital improvements	462,893
Cash restricted for bonded debt purposes	1,991,121
Cash restricted for construction - bond proceeds	6,378,100
Total Cash	10,473,372

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

TexAmericas Center
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Seven Months Ended April 30, 2016

Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating income (loss)	$	(8,070)
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		465,260
(Increase) decrease in assets:		
Account receivable		(190,897)
Increase (decrease) in liabilities:		
Accounts payable		47,785
Accrued liabilities		(34,817)
Accrued compensated absences		(10,810)
Interfund payables		(590,683)
Total adjustments		(314,162)
Net cash provided (used) by operating activities	$	(322,232)

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

Notes to the Financial Statements
April 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the TexAmericas Center (Center) relating to the Enterprise Fund presented in the accompanying 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). 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.

Only the Enterprise Fund is presented in the accompanying financial statement of the Center. The other funds and activities of the Center are not included in this audit as of April 30, 2016.

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. FUND FINANCIAL STATEMENTS

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.

These activities are operations that rely, to a significant extent, on fees and charges for support. The indirect expenses are reported as overhead and are allocated across the water, waste water, and industrial waste water functions based on the percentage of labor associated with each system.

The Enterprise Fund financial statements include the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows

D. BASIS OF ACCOUNTING

The accounting and reporting policies of TexAmericas Center Enterprise Fund included in the accompanying 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).

The Enterprise Fund is a proprietary fund type and the financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 principal ongoing operations. The principal 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 POSITION/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 April 30, 2016, TexAmericas Center had $914,530 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".

TexAmericas Center provides allowances for uncollectable receivables in compliance with generally accepted accounting principles. However, at April 30, 2016 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 the 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 position 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, and equipment are reported in the Enterprise Fund. Capital assets are 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. Construction in Progress

Expenses on incomplete capital projects have been capitalized as construction in progress. The assets resulting from these projects will be transferred from the construction in progress accounts to the appropriate asset account as the projects are completed.

8. 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 proprietary fund financial statements. 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.

9. Long-term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expense in the year incurred.

10. Net Position

Net investment in capital assets consists of the Center's capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets. Net position reported as restricted are those amounts which have limitation imposed on their use either through legislations adopted by the Center or through external restrictions imposed by creditors, grantors or other laws and regulations.

11. 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 – CASH AND INVESTMENTS

On April 30, 2016, 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 April 30, 2016 are as follows:

Investment Type	*Issuer*		*Fair Value*	*% of Total Investments*
Cash	Guaranty Bank	$	3,337,376	66%
Cash	Regions Bank		833,098	16%
Certificates of Deposit	Farmers Bank & Trus		914,531	18%

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the seven months ended April 30, 2016 was as follows:

	Balance October 1, 2015	*Additions*	*Retirement*	*Transfers*	*Balance April 30, 2016*
Capital Assets, Not Being Depreciated:					
Construction in Progress	$ 105,808	205,186			310,994
Total Capital Assets, Not Being Depreciated	105,808	205,186	-	-	310,994
Capital Assets, Being Depreciated					
Utility System	6,532,637				6,532,637
Donated Utility System	3,160,153				3,160,153
Utility System Improvements	5,397,662				5,397,662
Intangible Assets	334,003				334,003
Equipment	1,091,955				1,091,955
Total Capital Assets, Being Depreciated	16,516,410	-	-	-	16,516,410
Less Accumulated Depreciation For:					
Utility System	(598,824)	(190,535)			(789,359)
Donated Utility System	(1,968,050)	(92,171)			(2,060,221)
Utility System Improvements	(907,565)	(101,826)			(1,009,391)
Intangible Assets	(74,348)	(4,871)			(79,219)
Equipment	(893,950)	(75,856)			(969,806)
Total Accumulated Depreciation	(4,442,737)	(465,259)	-	-	(4,907,996)
Total Capital Assets, Being Depreciated, Net	12,073,673	(260,073)	-	-	11,608,414
Total Capital Assets, Net	$ 12,179,481	(629,835)	-	-	11,919,408

Depreciation for business-type activities is charged to the water, waste water, and industrial wastewater functions.

Construction Commitments

TexAmericas Center has active construction projects as of April 30, 2016. The projects include improvements to the water plant, waste water plant, and the industrial waste water plant.

	Amount Spent to date	*Committed*	*Remaining*
Building 228 Improvements	$ 9,061	49,990	40,929
Repairs to Maintenance Shop and IWWTP	61,829	87,730	25,901
Lift Station	13,565	22,000	8,435
Million Gallon Potable Water Tank	226,539	3,000,000	2,773,461
	$ 310,994	3,159,720	2,848,726

NOTE 4 – INTERFUND ACTIVITY

The composition of interfund balances as of April 30, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
Enterprise	General	$355,397

The purpose of the interfund balance is to reimburse the Enterprise Fund for Army revenue that was deposited to the General Fund bank account.

NOTE 5 – LONG-TERM OBLIGATIONS

During the fiscal year ended September 30, 2014 the Center issued the "TexAmericas Center Water and Wastewater System Revenue Refunding Bonds, Taxable Series 2014A," in the amount of $5,110,000 to refund the "Waterworks and Sewer System Revenue Bond, Taxable Series 2005" outstanding amount of $5,080,000. In addition, the TexAmericas Center issued the "Water and Wastewater System Revenue Improvement Bonds, Taxable Series 2014B" dated January 28, 2014 in the amount of $6,900,000. The purpose of the 2014B bond is for the construction, maintenance, repair, improvement, and extension of works, improvements, facilities, plants, buildings, structures, appliances, and property of the Center's water and wastewater system.

The bonds are scheduled to be paid off on May 2, 2016 as part of the sale/transfer of the wet utility systems to Riverbend Water Resources District. The entire balance is shown as current at April 30, 2016.

Long-term debt at April 30, 2016 is comprised of the following:

	Interest Rates	*Original Amount*	*Balance 4/30/2016*
Water & Wastewater System Revenue Refunding Bonds, Series 2014A	3.080%	$5,110,000	$3,545,000
Water & Wastewater System Revenue Bonds, Series 2014B	5.37%	6,900,000	6,135,000
Total		12,010,000	9,680,000
Current portion			(9,680,000)
Long-term debt			$ -

Changes in long-term liabilities:

Long-term liability activity for the seven months ended April 30, 2016 is as follows:

	Balance 10/1/2015	*Additions*	*Repayments*	*Balances 4/30/2016*	*Due Within One Year*
Revenue Bonds	$ 10,455,000	$ -	$ (775,000)	$ 9,680,000	$ 9,680,000
Compensated Absences	44,251	41,290	(26,214)	59,327	33,441
Long-Term Liabilities	$ 10,499,251	$ 41,290	$ (801,214)	$ 9,739,327	$ 9,713,441

NOTE 6 – 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. 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.

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 separated in restricted accounts on the statement of net position by TexAmericas Center and managed consistent with generally accepted municipal investment practices.

NOTE 7 – 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. The Center incurred $26,728 in pension expense in the Enterprise Fund for the seven months ended April 30, 2016.

NOTE 8 – 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 9 – SUBSEQUENT EVENTS

On May 26, 2015 the TexAmericas Center and Riverbend Water Resources District entered into an Agreement for Purchase and Sale of Assets and Assignment and Assumption of Contract Rights, providing for the sale of the water, wastewater and industrial wastewater systems currently owned and operated by TexAmericas Center. On April 26, 2016 the TexAmericas Center Board of Directors issued Resolution No. 20160426-06 to close of the sale of the water, wastewater and industrial wastewater systems to Riverbend Water Resources District. The closing date of the transfer is April 28, 2016 and the effective date of the transfer of the wet utility systems, its operations and its employees is May 1, 2016.

As part of the Resolution, the Center agreed to fund a promissory note with Riverbend Water Resources District (Riverbend) for an amount up to but not exceeding $900,000.

The Center is scheduled to received seven-twelfths (7/12) of the profits from the operation of the Wet Utilities Systems budgeted by the Center for FY 2015-2016 from the Enterprise Fund. Riverbend will receive the remainder of the profits for the described period.

As a condition to the granting of the Novation of the TexAmericas Center from the Wet Utility Contract, the United States of Americas is requiring Riverbend post a performance bond in the amount of $3,000,000 for a period of two years from the date of transfer of the Wet Utilities Systems and is further requiring that TexAmericas serve as surety under the Performance Bond, and post certain property as security for the Performance Bond. On May 2, 2016 TexAmericas deposited $3,000,000 in a reserved bank account as the performance bond to be held until May 1, 2018.

Riverbend will issue $4,925,000 Riverbend Water Resources District Revenue Bonds, Taxable Series 2016A and $6,685,000 Riverbend Water Resources District Revenue Bonds, Taxable Series 2016B (total of $11,610,000), which will be utilized in part to redeem the TexAmericas Center Water and Wastewater System Revenue Refunding Bonds, Taxable Series 2014A in the amount of $3,545,000 and the TexAmericas Center Water and Wastewater System Revenue Refunding Bonds, Taxable Series 2014B in the amount of $6,135,000 on May 2, 2016.

NOTE 10 – MANAGEMENT REVIEW

In preparing these financial statements, TexAmericas Center has evaluated events and transactions for potential recognition or disclosure through August 30, 2016, the report issuance date.

Knauth & Company PC

Chris E. Knauth, CPA
Charles T. Gregg, CPA
Don E. Graves, CPA

Members:
American Institute of CPAs
Texas Society of CPAs

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the TexAmericas Center for the period from October 1, 2015 to April, 30, 2016, and the related notes to the financial statements, which collectively comprise TexAmericas Center's Enterprise Fund basic financial statements, and have issued our report thereon dated August 30, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 that are required to be reported under *Government Auditing Standards*.

8950 Gary Burns Drive Suite D Frisco, TX 75034
(972) 689-4150

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Knauth & Company, PC

Knauth & Company, P.C.
August 30, 2016

Knauth & Company PC

Chris E. Knauth, CPA
Charles T. Gregg, CPA
Don E. Graves, CPA

Members:
American Institute of CPAs
Texas Society of CPAs

August 30, 2016
To the Members of the Board
TexAmericas Center
New Boston, Texas

We have audited the financial statements of the governmental activities of the TexAmericas Center's Enterprise Fund for the period from October 1, 2015 to April 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by TexAmericas Center are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the period ended April 30, 2016. We noted no transactions entered into by TexAmericas Center during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the governmental activities' financial statements were account receivables, property tax receivables and whether they require bad debt reserves. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management
For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated August 30, 2016.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to TexAmericas Center's Enterprise Fund financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as TexAmericas Center's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters
We applied certain limited procedures to the management's discussion and analysis and the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use
This information is intended solely for the use of TexAmericas Center's Board and management of TexAmericas Center and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Knauth & Company, PC

Knauth & Company, P.C.
Frisco, TX