TexAmericas CENTER

RESOLUTION NO. 20190528-04

ACCEPTANCE OF FISCAL YEAR 2018 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 #20180522-05** of the Board of Directors, TexAmericas Center hired auditors Evans & Knauth, PLLC 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 2018 Audited Financial Statements are hereby accepted as presented in the attachment hereto.

PASSED AND APPROVED THIS 28th day of May, 2019.

Boyd W. Sartin

Boyd Sartin, Chairman of the Board

ATTEST:

Ben King

Ben King, Secretary

Attached: FY 2018 Audited Financials

TEXAMERICAS CENTER

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

September 30, 2018

Table of Contents

EVANS & KNAUTH, PLLC
CPA'S & CONSULTANTS

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 governmental activities and the business-type activities of TexAmericas Center as of and for the year ended September 30, 2018, 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 governmental activities and the business-type activities of TexAmericas Center, as of September 30, 2018, 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 9 and page 16 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.

Evans & Knauth, PLLC

Frisco, Texas
May 22, 2018

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 financial activities of the TexAmericas Center for the fiscal year ended September 30, 2018.

Financial Highlights

- The assets of the Center exceeded its liabilities at the close of the most recent fiscal year by $53,938,273 (*net position*). Of this amount, $12,291,743 *(unrestricted net position)* may be used to meet the Center's ongoing obligation to citizens and creditors.

- The Center's total net position decreased by $592,893. The financial statement reflects a prior period adjustment of $455,797 related to a prior year receivable for a grant.

- As of the close of the fiscal year, the Center's general fund reported an ending fund balance of $12,340,526, a net increase of $221,586 in comparison with the prior year. The net increase of $221,586 results from the current year increase of $677,383 and the prior period adjustment of $455,797. Approximately 95% of this amount, $11,665,327, is available for spending at the Center's discretion (unassigned fund balance).

- At the end of the current fiscal year, unassigned fund balance for the general fund was 254% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the TexAmericas Center's basic financial statements. The Center's basic financial statements comprise three components: 1) government-wide statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net position* presents information on all of the 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 the Center is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Center that are principally supported by intergovernmental revenues *(governmental activities*). The governmental activities of the Center include planning, marketing and development.

The government-wide financial statements can be found on pages 10-11 of this report.

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 statement, government 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 a 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 governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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.

The Center maintains one governmental fund also called the general fund. The general fund's information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance. The general fund is considered to be a major fund of the Center. The 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 12-16 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 17-34 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Center's financial position. In the case of the Center, assets exceeded liabilities by $53,938,273 as of September 30, 2018.

The largest portion of the Center's net position ($41,646,530 or 77%), reflects its investment in capital assets (e.g., land and timber, buildings, roads and rail, 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 September 30, 2018 and September 30, 2017 is as follows:

Statement of Net Position
As of September 30, 2018 and 2017

	Governmental Activities	
	2018	*2017*
Cash and investments	$ 13,372,269	$11,567,077
Other assets	834,899	3,109,844
Capital assets	41,646,530	42,916,073
Total assets	55,853,698	57,592,994
Other liabilities	1,866,642	2,557,981
Long term liabilities	48,783	48,050
Total liabilities	1,915,425	2,606,031
Net position:		
Net invested in capital assets	41,646,530	42,916,073
Restricted for performance bond	-	3,000,000
Unrestricted	12,291,743	9,070,890
Total net position	$ 53,938,273	$54,986,963

The balance of unrestricted net assets ($12,291,743) may be used to meet the Center's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Center is able to report positive balances in all three categories of net assets, both for the 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.

The Center's net position decreased by $592,893 during the current fiscal year.

A condensed version of the Statement of Activities follows:

Statement of Activities
For the years ended September 30, 2018 and 2017

	Governmental Activities	
	2018	*2017*
Revenues		
Program Revenues:		
Charges for Service	$ 2,096,749	$ 1,900,704
Operating Grants & Contributions	2,060,798	2,705,604
Capital Grants & Contributions	414,471	639,134
General Revenues:		
Franchise Fees	162,625	143,773
Investment Earnings	174,016	96,897
Miscellaneous	10,796	48,760
Leased Employee Revenue	55,435	60,536
Total Revenues	4,974,890	5,595,408
Expenses		
Facility Operations & Infrastructure	2,060,890	2,582,346
Real Estate, Marketing & Sales	924,698	1,052,035
General Government	575,720	572,639
Hunting & Timber	102,870	87,980
ESCA	1,903,605	2,196,795
Total expenses	5,567,783	6,491,795
Change in Net Position	(592,893)	(896,387)
Net Position-Beginning, as Previously Reported	54,986,963	55,883,350
Prior Period Adjustment	(455,797)	
Net Position-Beginning, as Restated	54,531,166	55,883,350
Net Position - Ending	$ 53,938,273	$ 54,986,963

Governmental activities. Governmental activities decreased the Center's net position by $592,893 during fiscal year ended September, 2018. Overall revenues decreased by $620,518 and expenses decreased by $924012 from the prior year. Key elements of the overall decrease are as follows:

- Charges for services revenue increased by $196,045.
- Operating grants and contributions decreased by $644,806.
- Capital grants and contributions decreased by $224,663.
- Investment earnings increased by $77,119.
- Facility operations and infrastructure expenses decreased by approximately $521,456;
- Real estate and marketing expenses decreased by $127,337.
- ESCA expenses decreased by $293,190. This program relates to the environmental restoration activities.

Financial Analysis of the Governmental Fund

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

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

The general fund is the chief operating fund of TexAmericas Center. At the end of the current fiscal year, the unassigned fund balance was $11,665,327, while the total fund balance was $12,340,526. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balances to total fund expenditures.

The fund balance of the Center's general fund had a net increase of $221,586 (increase in current year activities of $677,383 and prior period adjustment of $455,797) during the 2018 fiscal year compared to an increase of $99,585 in 2017.

General Fund Budgetary Highlights

There was a decrease of $118,852 in the revenues between the original and final amended budgets. The main changes were a decrease in grants revenue of $562,074 and increases in timber and hunting of $190,000, intergovernmental of $310,000 and interest of $105,000.

During the year, there was a $2,695,908 decrease in the expenditure appropriations between the original and final amended budget. Following are the main components of the decrease:

- Facility operations and infrastructure expenditures decreased $384,552.
- Real Estate, marketing and sales decreased $268,600.
- ESCA expenditures decreased by $1,170,466
- Capital outlay decreased by $2,090,226

Capital Assets and Debt Administration

Capital Assets. At September 30, 2018, the Center had $41,646,530 invested in capital assets for its governmental activities, net of accumulated depreciation. This investment in capital assets includes land and timber, buildings, roads and rails, equipment, and construction in progress.

Capital Assets at Year-End
Net of Accumulated Depreciation

	Governmental Activities	
	2018	*2017*
Land and Timber	$ 16,602,189	$ 16,889,594
Buildings and Improvements	25,403,512	25,342,332
Roads and Rail	19,849,175	19,376,001
Equipment	911,004	911,004
Construction in Progress	457,179	483,431
Subtotal	63,223,059	63,002,362
Accumulated Depreciation	(21,576,529)	(20,086,289)
Total Capital Assets	$ 41,646,530	$ 42,916,073

Additional information on the 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, the Center had accrued compensated absences of $48,783.

	2018	*2017*
Accrued compensated absences	$ 48,783	$ 48,050
Total	$ 48,783	$ 48,050

Additional information of the TexAmericas Center's long-term debt can be found in Note 7 on page 31 on this report.

Economic Factors and Next Year's Budget

As part of its transfer agreements with the US Army, TexAmericas Center received several contracts that will generate net revenue for TexAmericas Center in 2018, 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) was implemented in 2015.

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

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
September 30, 2018

		Governmental Activities
Assets		
Cash and Cash Equivalents	$	4,829,346
Investments - Certificates of Deposit		8,542,923
Accounts Receivable		566,355
Due from TAC East Holdings Co.		15,123
Due from U.S. Army - ESCA Grant		250,953
Prepaid Expenses		2,468
Capital Assets:		
Land and Timber		16,602,189
Buildings and Improvements		10,424,786
Road and Rail		14,074,917
Equipment		87,459
Construction in Progress		457,179
Total Assets		55,853,698
Liabilities		
Accounts Payable		558,691
Accrued Liabilities		18,854
Unearned Revenue		1,173,596
Tenant Lease Deposits		115,501
Noncurrent Liabilities:		
Due Within One Year:		
Accrued Compensated Absences		30,204
Due in More Than One Year:		
Accrued Compensated Absences		18,579
Total Liabilities		1,915,425
Net Position		
Invested in Capital Assets		41,646,530
Unrestricted		12,291,743
Total Net Position	$	53,938,273

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

TEXAMERICAS CENTER
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government					
Governmental Activities:					
Facility Operations and Infrastructure	$ 2,060,890	2,509	37,925	414,471	(1,605,985)
Real Estate, Marketing, and Sales	924,698	1,891,934			967,236
General Government	575,720		260,885		(314,835)
Timber & Hunting	102,870	202,306			99,436
ESCA	1,903,605		1,761,988		(141,617)
Total Governmental Activities	5,567,783	2,096,749	2,060,798	414,471	(995,765)

General Revenues	
Franchise Fees	162,625
Investment Earnings	174,016
Miscellaneous	10,796
Leased Employee Revenue	55,435
Total General Revenues	402,872
Change in Net Position	(592,893)
Net Position - Beginning, as Previously Reported	54,986,963
Prior Period Adjustment	(455,797)
Net Position - Beginning, as Restated	54,531,166
Net Position - Ending	$53,938,273

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

TexAmericas Center
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2018

		General Fund
Assets		
Cash and Cash Equivalents	$	4,829,346
Investment - Certificates of Deposit		8,542,923
Accounts Receivable		566,355
Due From U. S. Army - ESCA Grant		250,953
Due from TAC East Holdings Co.		15,123
Prepaid Expenses		2,468
Total Assets	$	14,207,168
Liabilities		
Accounts Payable	$	558,691
Accrued Liabilities		18,854
Unearned Revenue		1,173,596
Tenant Lease Deposits		115,501
Total Liabilities		1,866,642
Fund Balance		
Committed		664,304
Assigned		10,895
Unassigned		11,665,327
Total Fund Balance		12,340,526
Total Liabilities and Fund Balance	$	14,207,168

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

TEXAMERICAS CENTER
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
September 30, 2018

Total Governmental Fund Balance	$	12,340,526
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		41,646,530
Long-term liabilities, such as accrued compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		(48,783)
Net Position of Governmental Activities	$	53,938,273

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

TEXAMERICAS CENTER

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended September 30, 2018

	General Fund
Revenues	
Leases	$ 1,891,934
Franchise Fees	162,625
Timber & Hunting	489,711
Grants	2,214,384
Personal Property Sales	2,509
Intergovernmental	258,676
Interest	174,016
Leased Employees	55,435
Contributions from TAC East	2,209
Miscellaneous	10,796
Total Revenue	5,262,295
Expenditures	
Current:	
Facility Operations & Infrastructure	664,967
Real Estate, Marketing & Sales	929,565
General Government	566,928
Timber & Hunting	102,870
ESCA	1,906,484
Capital Outlay:	
Facility Operations & Infrastructure	414,098
Total Expenditures	4,584,912
Change in Fund Balance	677,383
Fund Balance - Beginning, as Previously Reported	12,118,940
Prior Period Adjustment	(455,797)
Fund Balance - Beginning, as Restated	11,663,143
Fund Balance - Ending	$ 12,340,526

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

TEXAMERICAS CENTER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

Net Change in Fund Balances - total governmental funds	$	677,383
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.		(982,138)
The net effect of various disposals of capital assets is to decrease net assets.		(287,405)
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. This amount represents the change in compensated absences.		(733)
Change in net assets of governmental activities	$	(592,893)

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

TEXAMERICAS CENTER

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2018

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Leases	$ 1,848,100	1,896,100	1,891,934	(4,166)
Franchise Fees	114,400	148,700	162,625	13,925
Timber & Hunting	303,501	493,501	489,711	(3,790)
Grants	3,229,200	2,667,126	2,214,384	(452,742)
Personal Property Sales	10,000	10,000	2,509	(7,491)
Intergovernmental	-	310,000	258,676	(51,324)
Interest	70,000	175,000	174,016	(984)
Leased Employees	97,763	77,763	55,435	(22,328)
Contributions from TAC East	-	2,209	2,209	-
Miscellaneous	5,000	16,417	10,796	(5,621)
Total Revenue	5,677,964	5,796,816	5,262,295	(534,521)
Expenditures				
Current:				
Facility Operations & Infrastructure	1,130,226	745,674	664,967	80,707
Real Estate, Marketing & Sales	1,266,802	998,202	929,565	68,637
General Government	587,883	586,646	566,928	19,718
Timber & Hunting	146,330	98,895	102,870	(3,975)
ESCA	1,963,790	2,064,932	1,906,484	158,448
Capital outlay:				
Facility Operations & Infrastructure	2,714,830	624,604	414,098	210,506
Real Estate, Marketing & Sales	5,000	-	-	-
Total Expenditures	7,814,861	5,118,953	4,584,912	534,041
Change in Fund Balance	(2,136,897)	677,863	677,383	480
Fund Balance - Beginning, as reported	12,118,940	12,118,940	12,118,940	-
Prior Period Adjustment	(455,797)	(455,797)	(455,797)	-
Fund Balance - Beginning, as restated	11,663,143	11,663,143	11,663,143	-
Fund Balance - Ending	$ 9,526,246	12,341,006	12,340,526	480

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

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). 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 position and the statement of activities. They include all funds of TexAmericas Center. Governmental activities include programs supported primarily by intergovernmental revenues and lease revenues.

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, and personal property sales (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.

Separate financial statements are provided for governmental funds.

D. BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and 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. 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.

The accounting and reporting policies of TexAmericas Center relating to the fund 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).

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 principal 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, 2018, TexAmericas Center had $8,542,923 invested in certificates of deposit.

3. Receivables and Payables

TexAmericas Center provides allowances for uncollectable receivables in compliance with generally accepted accounting principles. However, at September 30, 2018 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. Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (roads, rail, and similar items) are reported in the governmental column 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

6. 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 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.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net position.

8. 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.

9. 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 POSITION

The governmental fund balance sheet includes a reconciliation between *total governmental funds balances* and *net position of governmental activities* as reported in the government-wide statement of net position.

One 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 $41,646,530 difference are as follows:

Land and timber	$	16,602,189
Buildings and improvements		25,403,512
Less: Accumulated depreciation - buildings		(14,978,726)
Roads and rail		19,849,175
Less: Accumulated depreciation - roads and rail		(5,774,258)
Equipment		911,004
Less: Accumulated depreciation - equipment		(823,545)
Construction in Progress		457,179
Net adjustment to increase *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	41,646,530

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 ($982,138) difference are as follows:

Capital Outlay	$	508,102
Depreciation Expense		(1,490,240)
Net adjustment to decrease *net change in fund balances - governmental governmental funds* to arrive at *change in net position of governmental activities*	$	(982,138)

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.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2018, the expenditures of the Timber & Hunting program exceeded appropriations in the general fund by $3,975.

NOTE 4 – DEPOSITS AND INVESTMENTS

On September 30, 2018, 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, 2018 are as follows:

Investment Type	*Issuer*	*Fair Value*	*% of Total Investments*
Cash & certificates of deposit	Guaranty Bank	$ 8,325,312	62%
Certificates of deposit	InterBank	2,000,000	15%
Certificates of deposit	EastWest Bank	3,037,705	23%

NOTE 5 – RECEIVABLES

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

Leases	$	19,423
Franchise Fees		11,201
Leased Employees		15,123
Miscellaneous		7,616
Grants		779,068
Gross Receivables		832,431
Less: Allowance for Uncollectibles		-
Net Receivables	$	832,431

Governmental funds report deferred inflows of resources, such as unavailable 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 unavailable revenue (deferred inflows of resources) and had $1,173,596 of unearned revenue (liability). Of the unearned revenue, $1,126,251 was related to the ESCA grant and $47,345 was for leases, which had been received prior to revenue recognition.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

	Balance October 1, 2017	Additions	Sales	Transfers	Balance September 30, 2018
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land & Timber	$ 16,889,594	-	(287,405)		$ 16,602,189
Buildings - Salvage	1,477,239				1,477,239
Roads & Rail - Salvage	2,036,129				2,036,129
Equipment - Salvage	56,496				56,496
Construction in Process	483,431	508,102		(534,354)	457,179
Total Capital Assets, Not Being Depreciated	20,942,889	508,102	(287,405)	(534,354)	20,629,232
Capital Assets, Being Depreciated:					
Buildings & Improvements	23,865,093			61,180	23,926,273
Roads & Rail	17,339,872			473,174	17,813,046
Equipment	854,508		-		854,508
Total Capital Assets, Being Depreciated	42,059,473	-	-	534,354	42,593,827
Less Accumulated Depreciation For:					
Buildings & Improvements	(14,176,849)	(801,876)			(14,978,725)
Roads & Rail	(5,104,875)	(669,384)			(5,774,259)
Equipment	(804,565)	(18,980)	-		(823,545)
Total Accumulated Depreciation	(20,086,289)	(1,490,240)	-	-	(21,576,529)
Total Capital Assets, Being Depreciated, Net	21,973,184	(1,490,240)	-	534,354	21,017,298
Governmental Capital Assets, Net	$ 42,916,073	(982,138)	(287,405)	-	$ 41,646,530

Depreciation for governmental activities is charged to the planning and marketing function.

Construction Commitments

TexAmericas Center has active construction projects as of September 30, 2018.

Governmental

	Remaining
Area D Water Improvements	$ 5,909
Expal Sewer Improvements	2,895
TAC East Sanitary Sewer Improvements - Oak Street	5,692
EDA Grant - Other	10,000
TAC East Natural Gas System	417,500
Area V Roadway Improvements	5,251
Oak Street Sewer Improvements	9,932
	$ 457,179

NOTE 7 – LONG-TERM OBLIGATIONS

Governmental funds long-term debt:

On October 1, 2016, 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 3.75%. At fiscal year end 2018, TexAmericas Center had drawn $0 on the line of credit. Interest expense paid during the year on the line of credit totaled $0.

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

Changes in long-term liabilities:

Long-term liability activity for the year-ended September 30, 2018, was as follows:

	Balance 10/1/2017	Additions	Retirements/ Deductions	Balances 9/30/2018	Due Within One Year
Governmental Activities:					
Compensated Absences	$ 48,050	35,486	(34,753)	48,783	30,204
Governmental Activities Long-Term Liabilities	$ 48,050	35,486	(34,753)	48,783	$ 30,204

NOTE 8 – 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. The center's normal leasing practice is annual agreements. The tenants are offered option years should they renew their lease. The option years are not guaranteed revenue. A summary of future minimum rentals due to TexAmericas Center on major non-cancelable leases in the aggregate and for each of the next two years are as follows:

For the Year Ended September 30	Minimum Lease
2019	$ 1,384,448
2020	392,751
2021	-
2022	-
2023	-
Total	$ 1,777,199

NOTE 9 – 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 $61,075 in pension expense for the fiscal year ended September 30, 2018.

NOTE 10 – CONTINGENCIES

TexAmericas Center receives grant funding from the U.S. Department of Defense, and the Office of Economic Adjustment. 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, 2018, 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 11 – 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 12- SUBSEQUENT PRONOUNCEMENTS

The Governmental Accounting Standards Board recently issued the following statements not yet implemented by the Center. The statements which might impact the Center are as follows:

Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016 will be effective for the fiscal year ending September 30, 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable.

Statement No. 84, *Fiduciary Activities*, issued in January 2017, will be effective for the fiscal year September 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are include to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

Statement No. 87, *Leases*, issued in June 2017, will be effective for the fiscal year ending September 30, 2021. This Statement will increase the usefulness of governments' financial statements by requiring recognition of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangement.

Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, issued April 2018 will be effective for the fiscal year ending September 30, 2019. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses. The Statement also requires that existing and additional information be provided for direct borrowings and direct placement of debt separately from other debt.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction*

Period, issued in June 2018, will be effective for the fiscal year ending September 30, 2021. The Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with Statement No. 62. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest costs incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, issued in August 2018, will be effective for the fiscal year ending September 30, 2020. The Statement's objective is to improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government 's holding of the equity interest meets the definition of an investment.

The Center has not yet determined the impact of implementing the above new pronouncements.

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

A prior period adjustment for $455,797 was recorded at 9/30/17 to reduce the grant receivable and the corresponding reduction of fund balance.

NOTE 14 – MANAGEMENT REVIEW

In preparing these financial statements, TexAmericas Center has evaluated events and transactions for potential recognition or disclosure through May 22, 2019, the report issuance date.

TexAmericas Center
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

Federal Grantor Program of Cluster Title	Federal CFDA Number	Pass through Number	Federal Expenditures
U.S. Department of Commerce			
Through: Economic Development Administration			
Period 10/01/2017 to 09/30/2018	11.300	n/a	$ 556,449
U.S. Department of Housing and Urban Development			
Through: Texas Department of Agriculture			
Texas Community Development Block Program (Tx CDBG)			
Period 10/01/2017 to 09/30/2018	14.228	n/a	496,783
U.S. Department of Defense			
Through: Office of the Secretary of Defense			
Period 10/01/2017 to 09/30/2018	12.599	n/a	8,038,431
Total U.S. Department of Defense			9,091,663
Total Federal Expenditures			$ 9,091,663

Note A: CFDA number 11.300, 12.599 and 14.228 were considered major programs.
Note B: Program federal expenditures include the federal portion of allowable expenditures, reported on accrual basis.

EVANS & KNAUTH, PLLC
CPA'S & CONSULTANTS

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 governmental activities and the business-type activities of the TexAmericas Center as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise TexAmericas Center's basic financial statements, and have issued our report thereon dated May 22, 2019.

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.

4433 Punjab Way, Suite 102 • Frisco, Texas 75033
Main: 972.335.9754 • Fax: 972.335.9758
www.ekcpas.com

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.*

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.

Evans & Knauth, PLLC

Frisco, Texas
May 22, 2019

EVANS & KNAUTH, PLLC
CPA'S & CONSULTANTS

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the TexAmericas Center's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget Uniform Guidance Compliance Supplement* (Uniform Guidance) that could have a direct and material effect on each of the TexAmericas Center's major federal programs for the year ended September 30, 2018. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of TexAmericas Center's major federal programs based on our audit of the types of compliance requirements referred to above.

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; and Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and Uniform Guidance require that we plan and perform the audit 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 on compliance for each major program. However, our audit does not provide a legal determination of the TexAmericas Center's compliance.

Opinion on Each Major Federal Program

In our opinion, the TexAmericas Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material on each of its major federal programs for the year ended September 30, 2018.

4433 Punjab Way, Suite 102 • Frisco, Texas 75033
Main: 972.335.9754 • Fax: 972.335.9758
www.ekcpas.com

Report on Internal Control over Compliance

Management of TexAmericas Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered TexAmericas Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of TexAmericas Center as of and for the year ended September 30, 2018, and have issued our report thereon dated May 22, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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

Evans & Knauth, PLLC

Frisco, Texas
May 22, 2019

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's reports issued:	Unqualified
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 Uniform Guidance	NO

Identification of major programs:

CFDA Number	Name of Federal Program of Cluster
11.300	Investments For Public Works And Economic Development Facilities
12.599	Congressionally Directed Assistance
14.228	Community Development Block Grants

Dollar threshold to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as a low-risk auditee?	No

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.

EVANS & KNAUTH, PLLC
CPA'S & CONSULTANTS

May 22, 2019

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 for the year ended September 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and Uniform Guidance), 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 November 28, 2018. 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 fiscal year 2018. 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.

4433 Punjab Way, Suite 102 • Frisco, Texas 75033
Main: 972.335.9754 • Fax: 972.335.9758
www.ekcpas.com

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 22, 2019.

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 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 Council 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,

Evans & Knauth, PLLC

Evans & Knauth, PLLC

Frisco, Texas