



**RESOLUTION NO. 20220426-01**

**ACCEPTANCE OF FISCAL YEAR 2021 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 #20200728-01** of the Board of Directors, TexAmericas Center hired auditors Thomas & Thomas, 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 2021 Audited Financial Statements are hereby accepted as presented in the attachment hereto.

**PASSED AND APPROVED THIS 26<sup>th</sup> day of April, 2022.**

A handwritten signature in blue ink, appearing to be "Jim Roberts", written over a horizontal line.

**Jim Roberts, Chairman of the Board**

**ATTEST:**

A handwritten signature in blue ink, appearing to be "Justin Powell", written over a horizontal line.  
**Justin Powell, Secretary**

Attached: FY 2021 Audited Financials

April 22, 2022

Board of Directors of  
TexAmericas Center

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of TexAmericas Center (the Center) for the year ended September 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the 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 January 31, 2022. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### *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 A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. 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 estimates affecting the financial statements were:

Management's estimate of the useful lives of depreciable assets is based on the estimated economical use of the assets. We have evaluated the key assumptions used in determining that the estimated lives are reasonable in relation to the financial statements taken as a whole.

Management's proper identification and completeness of the fixed asset schedules for assets transferred from the U.S. Army to TexAmericas Center in prior years.

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.

**TEXAMERICAS CENTER**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2021**

**(WITH INDEPENDENT AUDITOR'S REPORT THEREON)**

**TEXAMERICAS CENTER**  
**Annual Financial Report**  
**Table of Contents**  
**Year Ende September 30, 2021**

	<b>Page(s)</b>
<b>Independent Auditor’s Report</b>	i-iii
<b>Management’s Discussion and Analysis</b>	iv-x
 <b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position	1
Statement of Activities	2
 <b>Governmental Fund Financial Statements:</b>	
Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balance	5
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	6
 <b>Notes to Financial Statements</b>	 7-19
 <b>Required Supplementary Information:</b>	
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund	20
 <b>Other Supplementary Information:</b>	
Combining Statement of Net Position	21
Combining Statement of Activities	22-23
 <b>Federal Awards Section:</b>	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance with Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24-25
Independent Auditor’s Report on Compliance for Each Major Program; Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	26-27
Schedule of Findings and Questioned Costs	28-29
Schedule of Prior Year Audit Findings	30
Schedule of Expenditures of Federal Awards and Notes	31
Corrective Action Plan	32

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
TexAmericas Center  
New Boston, TX

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of TexAmericas Center (the Center), as of and for the year ended September 30, 2021, 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 opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of TexAmericas Center as of September 30, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in note P, the Center has restated its September 30, 2020 net position to properly reflect capital assets for additions and dispositions that occurred in previous periods for both the Center, and TAC East Holdings Company No. 1, in accordance with accounting principles generally accepted in the United States of America.

As part of our audit of the September 30, 2021 financial statements, we also audited the adjustments described in note P that were applied to restate the September 30, 2020 net position. In our opinion such adjustments are appropriate and have been properly applied.

## **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 iv-x and 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the TexAmericas Center's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2022, on our consideration of TexAmericas Center internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TexAmericas Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TexAmericas Center's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Texarkana, Texas  
April 22, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the TexAmericas Center (TAC), we offer readers of the TexAmericas Center's financial statements this narrative overview and analysis of the financial activities of the TexAmericas Center and its blended component unit, TAC East Holdings Company No. 1 for the fiscal year ended September 30, 2021.

### Financial Highlights

- The assets of TAC exceeded its liabilities at the close of the most recent fiscal year by \$56,535,948 (*net position*). Of this amount, \$14,236,707 (*unrestricted net position*) may be used to meet TAC's ongoing obligation to citizens and creditors.
- TAC's total net position increased by \$538,238.
- As of the close of the fiscal year, TAC's general fund reported an ending fund balance of \$14,612,844. Approximately 97% of this amount, \$14,165,271, is available for spending at TAC's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was 118% of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to TAC's basic financial statements. TAC'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 TAC's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how TAC'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 TAC that are principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of TAC include planning, marketing and development. The government-wide financial statements can be found on pages 1-2 of this report.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

TAC maintains two governmental funds, denoted in the financial statements as the "General Fund" and the "Special Revenue Fund." Both funds' 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 TAC. The special revenue fund is the blended component unit, TAC East Holdings Company No. 1. TAC 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 3-6 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential in obtaining 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 7-19 of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of TAC's financial position. In the case of TAC, assets exceeded liabilities by \$56,535,948 as of September 30, 2021.

The largest portion of TAC's net position (\$41,851,668 or 74%), 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. TAC uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the TAC'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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Condensed financial information from the statements of net position and activities as of September 30, 2021 and September 30, 2020 is as follows:

**TEXAMERICAS CENTER  
STATEMENT OF NET POSITION  
As of September 30, 2021 and 2020**

	<i>Governmental Activities</i>	
	<b>2021</b>	<b>2020</b>
Cash and Investments	\$ 15,218,982	\$ 12,513,752
Other Assets	1,137,379	746,074
Capital Assets	49,330,580	41,421,764
<b>Total Assets</b>	<u>65,686,941</u>	<u>54,681,590</u>
Other Liabilities	1,619,757	749,648
Long-Term Liabilities	7,531,236	61,616
<b>Total Liabilities</b>	<u>9,150,993</u>	<u>811,264</u>
Net Position:		
Net Invested in Capital Assets	41,851,668	41,421,764
Restricted	447,573	54,128
Unrestricted	14,236,707	12,394,434
<b>Total Net Position</b>	<u>\$ 56,535,948</u>	<u>\$ 53,870,326</u>

The balance of unrestricted net assets of 14,236,707 may be used to meet TAC's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, TAC is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

TAC's net position increased by \$538,238 during the current fiscal year. A condensed version of the Statement of Activities follows:

**TEXAMERICAS CENTER  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2021**

	<i>Governmental Activities</i>	
	<u>2021</u>	<u>2020</u>
<b>Revenues:</b>		
Program Revenues:		
Charges for Services	\$ 3,505,099	\$ 4,140,402
Operating Grants & Contributions	997,756	1,648,345
Capital Grants & Contributions	-	414,403
General Revenues:		
Franchise Fees	164,823	157,364
Investment Earnings	72,055	242,418
Miscellaneous	294,492	84,349
Gain on Sale of Capital Assets	1,852,152	-
PILOT	101,630	-
<b>Total Revenues</b>	<u>6,988,007</u>	<u>6,687,281</u>
<b>Expenditures:</b>		
Facility Operations & Infrastructure	1,046,925	2,915,453
Real Estate, Marketing, & Sales	1,173,792	941,936
General Government	2,861,914	1,027,168
Timber & Hunting	52,430	105,449
ESCA	1,155,963	1,732,539
Logistics	158,745	4,518
<b>Total Expenditures</b>	<u>6,449,769</u>	<u>6,727,063</u>
Change in Net Position	<u>538,238</u>	<u>(39,782)</u>
<b>Net Position-Beginning, as Previously Reported</b>	53,870,329	53,362,761
<b>Prior Period Adjustment</b>	<u>2,127,381</u>	<u>547,347</u>
<b>Net Position-Beginning, as Restated</b>	<u>55,997,710</u>	<u>53,910,108</u>
<b>Net Position-Ending</b>	<u>\$ 56,535,948</u>	<u>\$ 53,870,326</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Governmental activities.** Governmental activities increased TAC's net position by \$538,238 during fiscal year ended September 30, 2021. Overall revenues increased by \$300,726, and expenses decreased by \$277,294 from the prior year. Key elements of these changes are as follows:

- Grant revenues decreased by \$1,064,992.
- Interest revenues decreased by \$170,363.
- Miscellaneous revenues increased by \$210,143.
- Facility, operations, and infrastructure expenses decreased by \$1,868,528.
- Real estate, marketing, and sales expenses increased by \$231,856.
- General government expenses increased by \$1,834,746.
- ESCA expenses decreased by \$576,576

### Financial Analysis of the Governmental Fund

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

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

The general fund is the chief operating fund of TAC. At the end of the current fiscal year, the unassigned general fund balance was \$14,165,271, while the total general fund balance was \$14,612,844. 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 TAC's general fund had a net increase of \$2,005,072 during the 2021 fiscal year compared to a decrease of \$911,886 in 2020.

### General Fund Budgetary Highlights

There was an increase of \$1,170,367 in the revenues between the original and final amended budgets. The main changes were an increase in grant revenues of \$533,468 and an increase in leases of \$440,410.

During the year, there was a \$8,310,920 increase in the expenditure appropriations between the original and final amended budget. Following are the main components of the increase:

- Facility operations and infrastructure expenditures increased by \$7,765,380.
- General government increased by \$561,758.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Capital Assets and Debt Administration**

**Capital Assets.** As of September 30, 2021, TAC had \$49,330,580 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.

**TEXAMERICAS CENTER  
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION  
As of September 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
Governmental Activities:		
Land & Timber	\$ 16,938,887	\$ 17,026,456
Buildings & Improvements	32,159,713	31,628,796
Roads & Rail	19,849,175	19,849,175
Equipment	470,248	470,248
Construction in Process	-	711,336
Construction Held for Sale or Lease	7,938,987	
<b>Totals at Historical Cost</b>	<b>77,357,010</b>	<b>69,686,011</b>
Less: Accumulated Depreciation		
Buildings & Improvements	(19,739,711)	(18,552,223)
Roads & Rail	(7,847,567)	(7,156,464)
Equipment	(439,152)	(428,177)
<b>Total Accumulated Depreciation</b>	<b>(28,026,430)</b>	<b>(26,136,864)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 49,330,580</b>	<b>\$ 43,549,148</b>

Additional information on TAC and TAC East Holdings Company No. 1's capital assets can be found in Note E of the notes to the financial statements.

**Long-term Debt.** At the end of the current fiscal year, TAC had long-term accrued compensated absences of \$34,209 and the long-term portion of a note payable due of \$7,029,440.

Additional information of the TAC's long-term debt can be found in Note G on page 16 on this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS *(CONTINUED)*

### **Economic Factors and Next Year's Budget**

As part of its transfer agreements with the US Army, the TexAmericas Center (TAC) received several contracts that generated net revenue for TAC in 2021, 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 first implemented in 2014.

A Light Manufacturing/Distribution Facility (Spec Building) will be completed in Fall 2021. TAC expects that demand for this building will be high, and as a result the facility is expected to produce significant economic development on the campus as well as future monetary revenues to TAC.

The Army's RCRA (Resource Conservation Recovery Act) Permit was substantially removed from the TAC East Campus in January 2021. The removal of the RCRA Permit results in fewer environmental regulations and increased marketability of the affected property.

TAC continues to pursue grants, as they become available, to upgrade/rehabilitate the existing rail infrastructure. TAC anticipates that improved rail infrastructure will promote significant economic opportunities in the future. TAC is also pursuing full ownership of the railroad storage operation and expects to finalize the purchase contract during the first quarter of FY 2021 – 2022.

Finally, there are no significant changes expected from the current list of tenants that would have a material impact on TAC. While some leases are scheduled to expire this current year, a majority are expected to be renewed.

### **Financial Contact**

TAC's financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of TAC's finances and to demonstrate TAC'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.

***FINANCIAL STATEMENTS***

**TEXAMERICAS CENTER**  
**STATEMENT OF NET POSITION**  
**September 30, 2021**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 12,438,559
Restricted Cash and Cash Equivalents	261,893
Investments - Certificates of Deposit	2,518,530
Accounts Receivable	321,250
Due from U.S. Army - ESCA Grant	735,177
Prepaid Expenses	80,952
Capital Assets:	
Land and Timber	16,938,887
Buildings and Improvements, Net	12,420,002
Road and Rail, Net	12,001,608
Equipment, Net	31,096
Construction Held for Sale or Lease	7,938,987
<b>Total Assets</b>	<b>65,686,941</b>
<b>Liabilities</b>	
Accounts Payable	1,132,935
Interest Payable	14,383
Accrued Liabilities	71,334
Unearned Revenue	97,019
Tenant Lease Deposits	304,086
Noncurrent Liabilities:	
Due Within One Year:	
Accrued Compensated Absences	32,499
Note Payable	435,088
Due in More Than One Year:	
Accrued Compensated Absences	34,209
Note Payable	7,029,440
<b>Total Liabilities</b>	<b>9,150,993</b>
<b>Net Position</b>	
Investment in Capital Assets, Net of Debt	41,851,668
Unrestricted	14,236,707
Restricted - Other	447,573
<b>Total Net Position</b>	<b>\$ 56,535,948</b>

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



**TEXAMERICAS CENTER**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2021**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense)</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Revenue and Changes in Net Position</b>
					<b>Governmental Activities</b>
<b>Primary Government</b>					
Governmental Activities:					
Facility Operations and Infrastructure	\$ 1,046,925	1,324	\$ -	\$ -	\$ (1,045,601)
Real Estate, Marketing, and Sales	1,173,792	2,932,287	-	-	1,758,495
General Government	2,861,914	849	-	-	(2,861,065)
Timber & Hunting	52,430	567,306	-	-	514,876
ESCA	1,155,963	-	997,756	-	(158,207)
Logistics	158,745	3,333	-	-	(155,412)
<b>Total Governmental Activities</b>	<b>6,449,769</b>	<b>3,505,099</b>	<b>997,756</b>	<b>-</b>	<b>(1,946,914)</b>

**General Revenues**

Franchise Fees	164,823
Investment Earnings	72,055
Miscellaneous	294,492
Gain on Sale of Capital Assets	1,852,152
PILOT	101,630
<b>Total General Revenues</b>	<b>2,485,152</b>

Change in Net Position 538,238

Net Position - Beginning, as Previously Reported	53,870,329
Prior Period Adjustments	2,127,381
Net Position - Beginning, as Restated	<u>55,997,710</u>

**Net Position - Ending** \$ 56,535,948

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

**TEXAMERICAS CENTER**  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
**September 30, 2021**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 12,423,909	\$ 276,543	\$ 12,700,452
Investments - Certificates of Deposit	2,518,530	-	2,518,530
Accounts Receivable	306,728	14,522	321,250
Due from U.S. Army - ESCA Grant	735,177	-	735,177
Due from TAC East Holdings Co.	110,829	-	110,829
Prepaid Expenses	80,952	-	80,952
<b>Total Assets</b>	<b>\$ 16,176,125</b>	<b>\$ 291,065</b>	<b>\$ 16,467,190</b>
<b>Liabilities</b>			
Accounts Payable	\$ 1,132,935	\$ -	\$ 1,132,935
Accrued Payroll Liabilities	71,334	-	71,334
Unearned Revenue	97,019	-	97,019
Tenant Lease and Property Tax Deposits	261,993	42,093	304,086
Due to TAC General Fund	-	110,829	110,829
<b>Total Liabilities</b>	<b>1,563,281</b>	<b>152,922</b>	<b>1,716,203</b>
<b>Fund Balance</b>			
Restricted	261,893	-	261,893
Committed	128,045	-	128,045
Assigned	57,635	-	57,635
Unassigned	14,165,271	138,143	14,303,414
<b>Total Fund Balance</b>	<b>14,612,844</b>	<b>138,143</b>	<b>14,750,987</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 16,176,125</b>	<b>\$ 291,065</b>	<b>\$ 16,467,190</b>

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

**TEXAMERICAS CENTER**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**For the Year Ended September 30, 2021**

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 14,750,987</b>
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. At the beginning of the year, the cost of the assets was \$69,686,011 and the accumulated depreciation was (\$26,136,864). The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position.	43,549,148
2 Long-term liabilities, including notes payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the balances of long-term debt in the governmental activities is to decrease net position.	(7,464,528)
3 Long-term liabilities, such as accrued compensated absences, are not due and payable in the current year and therefore are not reported in the governmental funds balance sheet. The net effect of including the beginning balances for accrued compensated absences is to decrease net position.	(61,616)
4 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(1,968,988)
5 Current year capital outlays are expenditures in the fund financial statements, but they should be shown as an increase in capital assets. The net effect of removing the 2020 capital outlays is to increase net position.	7,750,421
6 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. The net effect of the current year's change in accrued compensated absences is to decrease net position.	(5,092)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of account. This includes recognizing the liabilities associated with long-term debt and interest.	(14,383)
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 56,535,948</u></u></b>

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

**TEXAMERICAS CENTER**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2021**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Leases	\$ 2,442,956	\$ 489,332	\$ 2,932,288
Franchise Fees	164,823	-	164,823
Timber & Hunting	567,306	-	567,306
Grants	997,756	-	997,756
Personal Property Sales	1,324	-	1,324
Interest	72,055	-	72,055
Leased Employees	294,636	-	294,636
Management Fees	849	-	849
PILOT	101,630	-	101,630
Project Reimbursement	26,370	-	26,370
Logistics	3,333	-	3,333
Miscellaneous	268,122	-	268,122
<b>Total Revenue</b>	<b>4,941,160</b>	<b>489,332</b>	<b>5,430,492</b>
<b>Expenditures:</b>			
Facility Operations & Infrastructure	8,695,283	-	8,695,283
Real Estate, Marketing & Sales	1,172,041	-	1,172,041
General Government	1,112,634	315,766	1,428,400
Timber & Hunting	95,918	-	95,918
ESCA	1,155,376	-	1,155,376
Logistics	158,745	-	158,745
<b>Total Expenditures</b>	<b>12,389,997</b>	<b>315,766</b>	<b>12,705,763</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>(7,448,837)</b>	<b>173,566</b>	<b>(7,275,271)</b>
<b>Other Financing Sources (Uses):</b>			
Non-Current Loans	7,464,528	-	7,464,528
Transfers In	1,989,381	-	1,989,381
Transfers Out	-	(1,989,381)	(1,989,381)
Proceeds from Sale of Capital Assets	-	2,051,551	2,051,551
<b>Total Other Financing Sources</b>	<b>9,453,909</b>	<b>62,170</b>	<b>9,516,079</b>
<b>Change in Fund Balance</b>	<b>2,005,072</b>	<b>235,736</b>	<b>2,240,808</b>
<b>Fund Balance - October 1 (Beginning)</b>	<b>12,607,772</b>	<b>(97,593)</b>	<b>12,510,179</b>
<b>Fund Balance - September 30 (Ending)</b>	<b>\$ 14,612,844</b>	<b>\$ 138,143</b>	<b>\$ 14,750,987</b>

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

**TEXAMERICAS CENTER**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2021**

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	2,240,808
<b>1</b> Current year capital outlays are expenditures in the fund financial statements, but they should be shown as an increase in capital assets. The net effect of removing the 2020 capital outlays is to increase net position.		7,750,421
<b>2</b> Long-term liabilities, including notes payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the balances of long-term debt in the governmental activities is to decrease net position		(7,464,528)
<b>3</b> Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(1,968,988)
<b>4</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of account. This includes recognizing the liabilities associated with long-term debt and interest.		(14,383)
<b>5</b> 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. The net effect of the current year's change in accrued compensated absences is to decrease net position.		(5,092)
 <b>Change in Net Position of Governmental Activities</b>	 <b>\$</b>	 <b>538,238</b>

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

**TEXAMERICAS CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

**A. Summary of Significant Accounting Policies**

TexAmericas Center (TAC) is a political subdivision of the State of Texas (formerly known as Red River Redevelopment Authority). TAC is governed by a board of directors who are appointed by 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. TAC was created to accept title from the United States of America to all or any portion of the real or personal property situated within, adjacent to, or related to Red River Army Depot and Lone Star Army Ammunition Plant to promote the location and development of new businesses and industries, and to undertake eligible projects under the authorizing statutes. TAC began operating independently from the governing bodies of the participating governmental entities in April 1999. In 2010, TAC underwent a rebranding for marketing and development of their real estate. During the rebranding, the property was renamed from Red River Commerce Park to TAC. The property is currently divided into three parcels: TAC East, TAC West and TAC Central. In fiscal year 2011, the State of Texas passed legislation to legally change the name from Red River Redevelopment Authority to TAC. On May 12, 2011, the governor signed the legislation, and the name change was official.

**1. Reporting Entity**

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.

As required by generally accepted accounting principles, these financial statements present the government (TAC) and its component unit, TAC East Holdings Company No. 1. The blended component unit, although a legally separate entity, is in substance part of the government's operations; data from the component unit is combined with data of the primary government.

**Blended Component Unit**

The component unit is reported under the blended method as the primary government appoints a voting majority of the board and is able to impose its will. This unit, although legally separate from TAC, is reported as part of the Center because TAC East Holdings Company No. 1 benefits the primary government even though it does not provide services directly to it. TAC East Holdings Company No. 1 was established to develop and lease various properties of the TAC East campus. TAC East Holdings Company No. 1 has significant interrelated operations with TAC, some of which include leasing employees from TAC, as well as paying a management fee. TAC East Holdings Company No. 1 is responsible for the leasing of properties on its designated areas of the entity. TAC East Holdings Company No. 1's board of directors are appointed by TAC, and shares multiple common members. TAC East Holdings Company No. 1 is reported as a special revenue fund. All intercompany transactions, payables, and receivables are eliminated for government-wide reporting.

**Related Organizations**

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

**2. 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 TAC and TAC East Holdings Company No. 1. Governmental activities include programs supported primarily by intergovernmental revenues and lease revenues.

**TEXAMERICAS CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**A. Summary of Significant Accounting Policies (Continued)**

**2. Government-Wide and Fund Financial Statements (Continued)**

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, and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Investment earnings are not included among program revenues and are reported instead as general revenues.

Indirect expenses of governmental activities are reported in the general government function.

Separate financial statements are provided for governmental funds.

**3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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. When the Center incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position first. It uses the restricted 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 measurable 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, TAC 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 TAC'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.

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

**4. Fund Accounting**

TAC reports the following major governmental funds:

**General Fund** – This fund is the general operating fund of TAC. It is used to account for all financial resources.

**Special Revenue Fund** - TAC accounts for the activities of TAC East Holdings Company No. 1 in the special revenue fund.

**5. Budgetary Data**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general fund. 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 TAC.

**TEXAMERICAS CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**A. Summary of Significant Accounting Policies (Continued)**

**6. 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.

**7. Fund Equity**

In accordance with GASB No. 54, TAC 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.

As of September 30, 2021 fund balance includes Restricted for security deposits of \$261,893, Committed for a wet-land study of \$128,045, Assigned for open purchase orders as of year-end of \$57,635, and Unassigned fund balance of \$14,165,271.

TAC'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.

TAC 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. When the Center incurs expenditures for which it may use either Restricted, Committed, Assigned, or Unassigned fund balance, it uses Restricted first.

**8. Risk Management**

TAC 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 TAC carries commercial insurance. There has been no major reduction of insurance coverage from prior years.

**B. Reconciliation of Government-Wide and Fund Financial Statements**

**1. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and The Government-Wide Statement of Net Position**

Page 4 of this report provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in the governmental funds. The details of capital assets at the beginning of the year are as follows:



**TEXAMERICAS CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**B. Reconciliation of Government-Wide and Fund Financial Statements (Continued)**

**2. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and The Government-Wide Statement of Net Position (Continued)**

**TexAmericas Center:**

Capital Assets		Accumulated	Net Value at the	Change in
At the Beginning of the Year	Historic Cost	Depreciation	Beginning of the Year	Net Position
Land and Timber	\$ 16,181,639	\$ -	\$ 16,181,639	
Buildings and Improvements	26,857,126	17,153,219	9,703,907	
Road and Rail	19,791,356	7,144,931	12,646,425	
Equipment	470,248	428,177	42,071	
Construction in Progress	711,336	-	711,336	
Change in Net Position				\$ 39,285,378
Long-Term Liabilities			Payable at the	
At the Beginning of the Year			Beginning of the Year	
Accrued Compensated Absences			\$ (61,616)	
Change in Net Position				(61,616)
Net Adjustment to Net Position				\$ 39,223,762

**TAC East Holdings Company No. 1:**

Capital Assets		Accumulated	Net Value at the	Change in
At the Beginning of the Year	Historic Cost	Depreciation	Beginning of the Year	Net Position
Land and Timber	\$ 844,817	\$ -	\$ 844,817	
Buildings and Improvements	4,771,670	1,399,004	3,372,666	
Road and Rail	57,819	11,533	46,286	
Change in Net Position				\$ 4,263,769
Net Adjustment to Net Position				\$ 4,263,769

**Total Governmental Funds:**

Capital Assets		Accumulated	Net Value at the	Change in
At the Beginning of the Year	Historic Cost	Depreciation	Beginning of the Year	Net Position
Land and Timber	\$ 17,026,456	\$ -	\$ 17,026,456	
Buildings and Improvements	31,628,796	18,552,223	13,076,573	
Road and Rail	19,849,175	7,156,464	12,692,711	
Equipment	470,248	428,177	42,071	
Construction in Progress	711,336	-	711,336	
Change in Net Assets				\$ 43,549,148
Long-Term Liabilities			Payable at the	
At the Beginning of the Year			Beginning of the Year	
Accrued Compensated Absences			\$ (61,616)	
Change in Net Position				(61,616)
Net Adjustment to Net Position				\$ 43,487,532

**TEXAMERICAS CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**B. Reconciliation of Government-Wide and Fund Financial Statements (Continued)**

**3. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-Wide Statement of Activities.**

Page 6 of this report provides the reconciliation between the net changes in fund balances as shown on the government fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlay is expensed in the fund financial statements, but should be shown as an increase in capital assets in the government-wide statements. The adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

**TexAmericas Center:**

<u>Current Year Capital Outlay</u>	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<b>Additions:</b>			
Land	\$ 43,488		
Buildings & Improvements	678,681		
Construction in Progress	144,840		
Construction Held for Sale or Lease	7,938,987		
<b>Dispositions:</b>			
Construction in Progress	(856,176)		
Total Capital Outlay	<u>\$ 7,949,820</u>	<u>\$ 7,949,820</u>	<u>\$ 7,949,820</u>
<b>Debt</b>			
Notes Payable Issued	(7,464,528)		
	<u>\$ (7,464,528)</u>	<u>\$ (7,464,528)</u>	<u>\$ (7,464,528)</u>
<b>Other Items</b>			
Change in Accrued Interest Payable	(14,383)		
	<u>\$ (14,383)</u>	<u>\$ (14,383)</u>	<u>\$ (14,383)</u>
Adjustment to Net Position		<u>\$ 470,909</u>	<u>\$ 470,909</u>

**TAC East Holdings Company No. 1:**

<u>Current Year Capital Outlay</u>	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<b>Dispositions:</b>			
Land	\$ (131,057)		
Buildings & Improvements	(68,342)		
Total Capital Outlay	<u>\$ (199,399)</u>	<u>\$ (199,399)</u>	<u>\$ (199,399)</u>
Adjustment to Net Position		<u>\$ (199,399)</u>	<u>\$ (199,399)</u>

**TEXAMERICAS CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

**B. Reconciliation of Government-Wide and Fund Financial Statements (Continued)**

**3. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-Wide Statement of Activities. (Continued)**

**Total Governmental Funds:**

<u>Current Year Capital Outlay</u>	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<b>Additions:</b>			
Land	\$ 43,488		
Buildings & Improvements	678,681		
Construction in Progress	144,840		
Construction Held for Sale or Lease	7,938,987		
<b>Dispositions:</b>			
Land	(131,057)		
Buildings & Improvements	(68,342)		
Construction in Progress	(856,176)		
Total Capital Outlay	<u>\$ 7,750,421</u>	<u>\$ 7,750,421</u>	<u>\$ 7,750,421</u>
<b>Debt</b>			
Notes Issued	(7,464,528)		
	<u>\$ (7,464,528)</u>	<u>\$ (7,464,528)</u>	<u>\$ (7,464,528)</u>
<b>Other Items</b>			
Change in Accrued Interest Payable	(14,383)		
	<u>\$ (14,383)</u>	<u>\$ (14,383)</u>	<u>\$ (14,383)</u>
Total Adjustment to Net Position		<u>\$ 271,510</u>	<u>\$ 271,510</u>

**C. Deposits and Investments**

TAC's cash and cash equivalents include amounts in demand deposit and money market accounts.

It is TAC's policy to purchase investments with maturity dates coinciding with cash flow requirements. The average maturity of investments of TAC's operating funds cannot exceed one year. The maximum maturity of any investments cannot exceed five years. Using this strategy, TAC 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 TAC'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.

**TEXAMERICAS CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**C. Deposits and Investments (Continued)**

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

<b>Investment Type</b>	<b>Percentage of Total Investments</b>
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%

On September 30, 2021, all of TAC's cash and investments were covered by either federal depository insurance or collateral held by the pledging financial institution's agent in TAC'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 TAC 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 TAC's investment policies and types of investments. TAC's management believes that it complied with the requirements of the PFIA and TAC's investment policies described in Note A. Concentrations of credit risk of over 5% by issuer on September 30, 2021 are as follows:

<b>Investment Type</b>	<b>Issuer</b>	<b>Fair Value</b>	<b>% of Total Investments</b>
Cash and Certificates of Deposit	Guaranty Bank	\$ 14,818,086	94%
Certificates of Deposit	Farmers Bank	1,014,809	6%

**D. Receivables**

TAC provides allowances for uncollectable receivables in compliance with generally accepted accounting principles. However, at September 30, 2021, the balance of the allowance account is \$0 since management believes all receivables to be fully collectible. Receivables as of September 30, 2021 for TAC are as follows:

**TexAmericas Center:**

Leases	\$ 41,927
Franchise Fees	14,801
Miscellaneous	250,000
Grants	735,177
Gross Receivables	1,041,905
Less: Allowance for Uncollectibles	-
Net Receivables	<u>\$ 1,041,905</u>

**TEXAMERICAS CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**D. Receivables (Continued)**

**TAC East Holdings Company No. 1:**

Leases	\$ 14,522
Gross Receivables	14,522
Less: Allowance for Uncollectibles	-
Net Receivables	\$ 14,522

**Total Governmental Funds:**

Leases	\$ 56,449
Franchise Fees	14,801
Miscellaneous	250,000
Grants	735,177
Gross Receivables	1,056,427
Less: Allowance for Uncollectibles	-
Net Receivables	\$ 1,056,427

**E. Capital Assets**

Capital assets are defined by governmental activities as assets with a normal service life greater than one year and an initial individual cost of fair value or 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 assets acquired from the United States Army. "the Army", on June 30, 1997, September 1, 2010, and September 30, 2011. 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.

Prior to October 1, 2003 infrastructure assets associated with governmental activities were not capitalized. TAC has elected to capitalize infrastructure assets prospectively starting October 1, 2003. Infrastructure consists of roads and rail for the governmental activities. Capital asset activity for the year ended September 30, 2021 was as follows:

**TexAmericas Center:**

	<b>Balance 9/30/20</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 9/30/21</b>
<b>Governmental Activities:</b>				
Land and Timber	\$ 16,181,639	\$ 43,488	\$ -	\$ 16,225,127
Buildings and Improvements	26,857,126	678,681	-	27,535,810
Roads and Rail	19,791,356	-	-	19,791,356
Equipment	470,248	-	-	470,248
Construction in Process	711,336	144,840	(856,176)	-
Construction Held for Sale or Lease	-	7,938,987	-	7,938,987
Totals at Historical Cost	64,011,705	8,805,996	(856,176)	71,961,527
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	(17,153,219)	(1,027,373)	-	(18,180,592)
Roads and Rail	(7,144,931)	(688,211)	-	(7,833,142)
Equipment	(428,177)	(10,975)	-	(439,152)
Total Accumulated Depreciation	(24,726,327)	(1,726,559)	-	(26,452,886)
Governmental Activities Capital Assets, Net	\$ 39,285,378	\$ 7,079,437	\$ (856,176)	\$ 45,508,642

**TEXAMERICAS CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**E. Capital Assets (Continued)**

**TAC East Holdings Company No. 1:**

	<b>Balance 9/30/20</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 9/30/21</b>
<b>Governmental Activities:</b>				
Land and Timber	\$ 844,817	\$ -	\$ (131,057)	\$ 713,760
Buildings and Improvements	4,771,670	-	(147,762)	4,623,908
Roads and Rail	57,819	-	-	57,819
<b>Totals at Historical Cost</b>	<b>5,674,306</b>	<b>-</b>	<b>(278,819)</b>	<b>5,395,487</b>
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	(1,399,004)	(239,537)	79,422	(1,559,119)
Roads and Rail	(11,533)	(2,892)	-	(14,425)
<b>Total Accumulated Depreciation</b>	<b>(1,410,537)</b>	<b>(242,429)</b>	<b>79,422</b>	<b>(1,573,544)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 4,263,769</b>	<b>\$ (242,429)</b>	<b>\$ (199,397)</b>	<b>\$ 3,821,943</b>

**Total Governmental Funds:**

	<b>Balance 9/30/20</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 9/30/21</b>
<b>Governmental Activities:</b>				
Land and Timber	\$ 17,026,456	\$ 43,488	\$ (131,057)	\$ 16,938,887
Buildings and Improvements	31,628,796	678,681	(147,762)	32,159,713
Roads and Rail	19,849,175	-	-	19,849,175
Equipment	470,248	-	-	470,248
Construction in Process	711,336	144,840	(856,176)	-
Construction Held for Sale or Lease	-	7,938,987	-	7,938,987
<b>Totals at Historical Cost</b>	<b>69,686,011</b>	<b>8,805,996</b>	<b>(1,134,995)</b>	<b>77,357,010</b>
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	(18,552,223)	(1,266,910)	79,422	(19,739,711)
Roads and Rail	(7,156,464)	(691,103)	-	(7,847,567)
Equipment	(428,177)	(10,975)	-	(439,152)
<b>Total Accumulated Depreciation</b>	<b>(26,136,864)</b>	<b>(1,968,988)</b>	<b>79,422</b>	<b>(28,026,430)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 43,549,148</b>	<b>\$ 6,837,008</b>	<b>\$ (1,055,573)</b>	<b>\$ 49,330,580</b>

Depreciation for governmental activities is charged to the following functions in the government-wide statement of activities:

Facility Operations and Infrastructure	\$ 1,966,625
Real Estate, Marketing, and Sales	2,363
<b>Total Depreciation Expense</b>	<b>\$ 1,968,988</b>

**TEXAMERICAS CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

**E. Capital Assets (Continued)**

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

<b>Capital Asset Class</b>	<b>Life</b>
Buildings	20 Years
Improvements	15 Years
Machinery and Equipment	5-10 Years
Infrastructure	20-60 Years

**F. Construction Held for Sale or Lease**

In fiscal year 2021, the Center began construction on a spec building. The intent of the building was to be built and then sold or leased to a third-party for economic development and to bring more jobs and tax base to the area. As of September 30, 2020, any costs associated with the building were in the Construction in Progress account. In the current year, building costs and the associated interest were moved from Construction in Progress to Construction Held for Sale or Lease. The spec building is expected to be completed subsequent to fiscal year 2021.

**G. 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.

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

	<b>Balance September 30, 2020</b>	<b>Additions</b>	<b>Retirements / Deductions</b>	<b>Balance September 30, 2021</b>	<b>Due Within One Year</b>
Governmental Activities:					
Note Payable	\$ -	\$ 7,464,528	\$ -	\$ 7,464,528	\$ 435,088
Compensated Absences	61,616	42,372	(37,280)	66,708	32,499
Governmental Long-Term Liabilities	<u>\$ 61,616</u>	<u>\$ 7,506,900</u>	<u>\$ (37,280)</u>	<u>\$ 7,531,236</u>	<u>\$ 467,587</u>

**H. Compensated Absences**

TAC utilizes the accrual method for recording compensated absences. TAC 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 up to 600 hours. 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 TAC's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay are 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.

**TEXAMERICAS CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**I. Employee Retirement System**

TAC 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 TAC are eligible to elect participation in the plan. Employees may contribute, by salary reduction, a percentage as specified in the Internal Revenue Code. TAC 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. TAC incurred \$106,762 in pension expense for the fiscal year ended September 30, 2021.

**J. Interfund Receivables and Payables**

Interfund balances at September 30, 2021, consisted of the following individual fund receivables and payables for the Governmental Funds:

	<b>Receivable</b>	<b>Payable</b>
General Fund		
Special Revenue Funds	\$ 110,829	\$ -
Total General Fund	110,829	-
Special Revenue Funds		
General Fund	-	110,829
Total Special Revenue Funds	-	110,829
Grand Totals	\$ 110,829	\$ 110,829

**K. Leases of Property**

In the course of operations, TAC leases property received from the Army to various individuals and private companies. TAC'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.

**L. Line of Credit**

On October 1, 2018, TAC 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 2021, TAC had drawn \$0 on the line of credit. Interest expense paid during the year on the line of credit totaled \$0.

**M. Note Payable**

A summary of the long-term loan activity for the year ended September 30, 2021, is as follows:

Year Approved	Collateral	Interest Rate	Original Amount	Amount Outstanding 9/30/2020	Borrowed	Retired	Amount Outstanding 9/30/2021
2021	Lease Income	3.050%	7,464,528	\$ -	\$ 7,464,528	\$ -	\$ 7,464,528
	Total Loans Payable			\$ -	\$ 7,464,528	\$ -	\$ 7,464,528



**TEXAMERICAS CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**M. Note Payable (Continued)**

Debt service requirements are as follows:

<u>Years Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 435,088	\$ 164,058	\$ 599,145
2023	387,668	211,477	599,145
2024	399,044	200,101	599,145
2025	411,846	187,299	599,145
2026	424,503	174,642	599,145
2027-2031	2,325,979	669,747	2,995,726
2032-2037	3,080,400	296,510	3,376,910
	<u>\$ 7,464,528</u>	<u>\$ 1,903,833</u>	<u>\$ 9,368,361</u>

**N. Contingencies**

TAC 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, TAC may be required to reimburse the grantor agency. As of September 30, 2021, significant amounts of grant expenditures have not been audited, but TAC believes that disallowed expenditures, if any, will not have a material effect on the overall financial position of the Center.

**O. Payment in Lieu of Taxes**

Beginning in fiscal year 2021, TexAmericas Center received special legislation from the Texas Legislature to exempt its property from real property ad valorem taxes customarily assessed by the taxing entities in Bowie County, Texas. This special legislature was based upon the representation by the Center that it would institute a payment in lieu of tax (PILOT) program to protect taxing jurisdictions, especially school districts, which would ordinarily levy and collect taxes upon the properties leased by the Center to third party tenants.

**P. Prior-Period Adjustment**

During the audit, management identified several properties that were owned by TAC East Holdings Company No. 1 but were erroneously included in the Center's assets or omitted entirely. This led to an adjustment to the prior period net position, in the government-wide financial statements. Accordingly, the September 30, 2021 financial statements have been restated to reflect this correction, as follows:

**TexAmericas Center:**

	<u>As Previously Reported</u>	<u>Corrected As Of 9/30/2020</u>	<u>As Restated</u>
<b>Statement of Net Position:</b>			
Property and Equipment:			
Land and Timber	\$ 16,181,639	\$ -	\$ 16,181,639
Buildings and Improvements	27,868,441	(1,011,315)	26,857,126
Roads and Rail	19,834,811	(43,455)	19,791,356
Equipment	470,248	-	470,248
Construction in Progress	711,336	-	711,336
Accumulated Depreciation Buildings and Improvements	(17,591,658)	438,439	(17,153,219)
Accumulated Depreciation Roads and Rail	(7,150,000)	5,069	(7,144,931)
Accumulated Depreciation Equipment	(428,177)	-	(428,177)
<b>Net Position:</b>			
Investment in Capital, Net of Debt	\$ 39,896,640	\$ (611,262)	\$ 39,285,378

**TEXAMERICAS CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**P. Prior-Period Adjustment (Continued)**

**TAC East Holdings Company No. 1:**

	<u>As Previously Reported</u>	<u>Corrected As Of 9/30/2020</u>	<u>As Restated</u>
<b>Statement of Net Position:</b>			
Property and Equipment:			
Land and Timber	\$ 844,817	\$ -	\$ 844,817
Buildings and Improvements	911,650	3,860,020	4,771,670
Roads and Rail	14,364	43,455	57,819
Accumulated Depreciation Buildings and Improvements	(239,240)	(1,159,764)	(1,399,004)
Accumulated Depreciation Roads and Rail	(6,464)	(5,069)	(11,533)
<b>Net Position:</b>			
Investment in Capital, Net of Debt	\$ 1,525,125	\$ 2,738,642	\$ 4,263,769
<b>Total Prior-Period Adjustment</b>	<u>\$ 41,421,765</u>	<u>\$ 2,127,381</u>	<u>\$ 43,549,148</u>

**Q. Subsequent Events**

Management has evaluated subsequent events through April 22, 2022, the date the financial statements were available for issue.

In October of 2021, TexAmericas Center finalized an agreement to terminate the rail lease agreement with Lone Star Railcar Storage Company and to purchase their assets including storage contracts necessary to operate the railcar storage facility on the TAC East Campus. The final amount paid to Lone Star Railcar Storage Company by the Center was \$1,800,156 in November of 2021.

**TEXAMERICAS CENTER**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended September 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Leases	\$ 1,965,000	2,405,410	2,442,956	(37,546)
Franchise Fees	147,000	152,500	164,823	(12,323)
Timber & Hunting	364,800	567,306	567,306	-
Grants	2,039,610	2,573,078	997,756	1,575,322
Personal Property Sales	5,000	5,000	1,324	3,676
Interest	100,000	70,000	72,055	(2,055)
Leased Employees	249,479	489,332	294,636	194,696
TAC East Management Fees	5,000	5,000	849	4,151
PILOT	100,000	120,000	101,630	18,370
Logistics	259,370	6,000	3,333	2,667
Miscellaneous	8,000	20,000	294,492	(274,492)
<b>Total Revenue</b>	<u>5,243,259</u>	<u>6,413,626</u>	<u>4,941,160</u>	<u>1,472,466</u>
<b>Expenditures</b>				
Facility Operations & Infrastructure	1,876,581	9,641,961	8,695,283	946,678
Real Estate, Marketing & Sales	1,332,091	1,398,270	1,172,041	226,229
General Government	1,006,981	1,568,739	1,112,634	456,105
Timber & Hunting	102,559	135,955	95,918	40,037
ESCA	2,179,740	2,625,559	1,155,376	1,470,183
Logistics	838,387	276,775	158,745	118,030
<b>Total Expenditures</b>	<u>7,336,339</u>	<u>15,647,259</u>	<u>12,389,997</u>	<u>3,257,262</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,093,080)	(9,233,633)	(7,448,837)	(1,784,796)
<b>Other Financing Sources</b>				
Non-Current Loans	-	7,464,528	7,464,528	-
Transfers In	-	1,989,381	1,989,381	-
<b>Total Other Financing Sources</b>	<u>-</u>	<u>9,453,909</u>	<u>9,453,909</u>	<u>-</u>
<b>Change in Fund Balance</b>	<u>(2,093,080)</u>	<u>220,276</u>	<u>2,005,072</u>	<u>(1,784,796)</u>
Fund Balance - Beginning, as reported	12,536,875	12,241,732	12,607,772	(1,045,965)
<b>Fund Balance - Ending</b>	<u>\$ 10,443,795</u>	<u>\$ 12,462,008</u>	<u>\$ 14,612,844</u>	<u>\$ (2,830,761)</u>

**TEXAMERICAS CENTER**  
**COMBINING STATEMENT OF NET POSITION**  
**September 30, 2021**

	<b>TexAmericas Center</b>	<b>TAC East Holdings Company No. 1</b>	<b>Elimination</b>	<b>Total</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 12,162,016	\$ 276,543	\$ -	\$ 12,438,559
Restricted Cash and Cash Equivalents	261,893	-	-	261,893
Investments - Certificates of Deposit	2,518,530	-	-	2,518,530
Accounts Receivable	306,728	14,522	-	321,250
Due from U.S. Army - ESCA Grant	735,177	-	-	735,177
Due from TAC East Holdings Co.	110,829	-	(110,829)	-
Prepaid Expenses	80,952	-	-	80,952
Capital Assets:				
Land and Timber	16,225,127	713,760	-	16,938,887
Buildings and Improvements, Net	9,355,218	3,064,784	-	12,420,002
Road and Rail, Net	11,958,214	43,394	-	12,001,608
Equipment, Net	31,096	-	-	31,096
Construction Held for Sale or Lease	7,938,987	-	-	7,938,987
<b>Total Assets</b>	<b>61,684,767</b>	<b>4,113,003</b>	<b>(110,829)</b>	<b>65,686,941</b>
<b>Liabilities</b>				
Accounts Payable	1,132,935	-	-	1,132,935
Interest Payable	14,383	-	-	14,383
Accrued Liabilities	71,334	-	-	71,334
Unearned Revenue	97,019	-	-	97,019
Tenant Lease Deposits	261,993	42,093	-	304,086
Due to TAC General Fund	-	110,829	(110,829)	-
Noncurrent Liabilities:				
Due Within One Year:				
Accrued Compensated Absences	32,499	-	-	32,499
Note Payable	435,088	-	-	435,088
Due in More Than One Year:				
Accrued Compensated Absences	34,209	-	-	34,209
Note Payable	7,029,440	-	-	7,029,440
<b>Total Liabilities</b>	<b>9,108,900</b>	<b>152,922</b>	<b>(110,829)</b>	<b>9,150,993</b>
<b>Fund Balance/Net Position</b>				
Investment in Capital Assets, Net of Debt	38,029,730	3,821,938	-	41,851,668
Unrestricted	14,098,564	138,143	-	14,236,707
Restricted - Other	447,573	-	-	447,573
<b>Total Fund Balance/Net Position</b>	<b>\$ 52,575,867</b>	<b>\$ 3,960,081</b>	<b>\$ -</b>	<b>\$ 56,535,948</b>

**TEXAMERICAS CENTER**  
**COMBINING STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2021**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Elimination</b>	<b>Net (Expense) Revenue and</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>		<b>Changes in Net Position</b>
						<b>Governmental Activities</b>
<b>TexAmericas Center</b>						
Governmental Activities:						
Facility Operations and Infrastructure	\$ 804,788	1,324	\$ -	\$ -	\$ -	\$ (803,464)
Real Estate, Marketing, and Sales	1,173,501	2,442,956	-	-	-	1,269,455
General Government	2,840,782	849	1,989,381	-	(1,694,745)	(2,545,297)
Timber & Hunting	52,430	567,306	-	-	-	514,876
ESCA	1,155,963	-	997,756	-	-	(158,207)
Logistics	158,745	3,333	-	-	-	(155,412)
<b>Total Governmental Activities</b>	<b>6,186,209</b>	<b>3,015,768</b>	<b>2,987,137</b>	<b>-</b>	<b>(1,694,745)</b>	<b>(1,878,049)</b>
<b>TAC East Holdings Company No. 1</b>						
Governmental Activities:						
Facility Operations and Infrastructure	\$ 242,137	\$ -	\$ -	\$ -	\$ -	\$ (242,137)
Real Estate, Marketing, and Sales	291	489,332	-	-	-	489,041
General Government	2,305,147	-	-	-	1,989,381	(315,766)
Timber & Hunting	-	-	-	-	-	-
ESCA	-	-	-	-	-	-
Logistics	-	-	-	-	-	-
<b>Total Governmental Activities</b>	<b>2,547,575</b>	<b>489,332</b>	<b>-</b>	<b>-</b>	<b>1,989,381</b>	<b>(68,862)</b>
<b>Total</b>						
Governmental Activities:						
Facility Operations and Infrastructure	\$ 1,046,925	\$ 1,324	\$ -	\$ -	\$ -	\$ (1,045,601)
Real Estate, Marketing, and Sales	1,173,792	2,932,287	-	-	-	1,758,495
General Government	5,145,929	849	1,989,381	-	294,636	(2,861,065)
Timber & Hunting	52,430	567,306	-	-	-	514,876
ESCA	1,155,963	-	997,756	-	-	(158,207)
Logistics	158,745	3,333	-	-	-	(155,412)
<b>Total Governmental Activities</b>	<b>8,733,784</b>	<b>3,505,099</b>	<b>2,987,137</b>	<b>-</b>	<b>294,636</b>	<b>(1,946,914)</b>

**TEXAMERICAS CENTER**  
**COMBINING STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2021**

	<u>TexAmericas Center</u>	<u>TAC East Holdings Company No. 1</u>	<u>Elimination</u>	<u>Total</u>
<b>General Revenues</b>				
Franchise Fees	164,823	-	-	164,823
Investment Earnings	72,055	-	-	72,055
Miscellaneous	294,492	-	-	294,492
Gain on Sale of Capital Asset	-	1,852,152	-	1,852,152
PILOT	101,630	-	-	101,630
Leased Employee Revenue	294,636	-	(294,636)	-
Total General Revenues	<u>927,636</u>	<u>1,852,152</u>	<u>(294,636)</u>	<u>2,485,152</u>
Change in Net Position	<u>744,332</u>	<u>(206,091)</u>	<u>-</u>	<u>538,238</u>
Net Position - Beginning, as Previously Reported	52,442,798	1,427,531	-	53,870,329
Prior Period Adjustments	(611,262)	2,738,642	-	2,127,381
Net Position - Beginning, as Restated	<u>51,831,536</u>	<u>4,166,173</u>	<u>-</u>	<u>55,997,710</u>
<b>Net Position - Ending</b>	<u>\$ 52,575,867</u>	<u>\$ 3,960,081</u>	<u>\$ -</u>	<u>\$ 56,535,948</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major funds of TexAmericas Center (the Center) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated April 22, 2022.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing 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 the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Center's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors  
TexAmericas Center

### **Center's Response to Findings**

The Center's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

  
CERTIFIED PUBLIC ACCOUNTANTS

Texarkana, Texas  
April 22, 2022



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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
TexAmericas Center  
New Boston, Texas

**Report on Compliance for Each Major Federal Program**

We have audited TexAmericas Center’s (the Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Center’s major federal programs for the year ended September 30, 2021. The Center’s major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the 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 the 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 federal program. However, our audit does not provide a legal determination of the Center’s compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

To the Board of Directors  
TexAmericas Center

### Report on Internal Control over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered the 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 the 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 the 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 a 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.



CERTIFIED PUBLIC ACCOUNTANTS

Texarkana, Texas  
April 22, 2022

**TEXAMERICAS CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2021**

**Section I - Summary of Audit Results**

*Financial Statements:*

Type of Report the Auditor Issued on Whether the Financial Statements Were Prepared in Accordance with GAAP	Unmodified
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Internal Control Over Financial Reporting:

Material Weakness(es) Identified	Yes
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Significant Deficienc(ies) Identified	None Reported
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Noncompliance Material to the Financial Statements	None Reported
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*Federal Awards*

Internal Control over Major Programs:

Material Weakness(es) Identified	None Reported
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Significant Deficienc(ies) Identified	None Reported
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Type of Auditor's Report Issued on Compliance for Major Federal Programs	Unmodified
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Findings Disclosed in the Audit which are Required to be Reported in Government Auditing Standards	Yes
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Findings Disclosed in the Audit which are Required to be Reported in Accordance with 2 CFR 200.516(a).	None Reported
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Programs audited as major: Congressionally Directed Assistance	CFDA #12.599
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Dollar Threshold used to distinguish between Type A and Type B programs.	\$750,000
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TexAmericas Center qualified as a low risk entity.	No
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**TEXAMERICAS CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**SEPTEMBER 30, 2021**

**Section II - Financial Statement Findings**

**Finding Reference**

2021-001

Material Weakness - Internal Controls

**Criteria**

Internal controls should be designed and implemented to ensure that the Center's fixed asset listing is updated on an ongoing basis.

**Condition**

In the current year, management identified several properties that were owned by TAC East Holdings Company, No. 1 but were erroneously included in the Center's assets or omitted entirely. This caused a prior-period restatement to the beginning net position in the current year.

**Effect or Potential Effect**

The Center's total fixed assets reported in the financial statements in the prior-period were incorrect, resulting in a prior-period restatement to the beginning net position in the current year.

**Questioned Cost**

The restatement amount of \$2,127,381 included the fixed assets that had to be added or removed in order to correct the overall fixed assets total.

**Recommendation**

We recommend that the Center implement additional controls to assess their fixed assets listing on an ongoing basis to ensure that it is accurate.

**View of Responsible Official**

The Center will implement additional policies and controls to assess their fixed assets listing on an ongoing basis. See Corrective Action Plan.

**TEXAMERICAS CENTER**  
**SCHEDULE OR PRIOR YEAR AUDIT FINDINGS**  
**September 30, 2021**

**Finding 2020-001**

**Significant Deficiency**

**Internal Controls**

**Summary:**

In the prior year, our review of internal controls disclosed instances of the Center's fixed asset listing containing assets no longer owned. Additionally, there were other assets transferred from the U.S. Army in prior years that were not previously itemized or sufficiently identified. This caused a prior-period restatement to the beginning net position in the prior-year.

**Conclusion:**

This finding reoccurred during the year ended September 30, 2021.

**Finding 2020-002**

**Significant Deficiency**

**Compliance**

**Summary:**

A single audit was performed on TexAmericas Center in 2019, but no data collection form was filed with the Federal Audit Clearinghouse by their previous auditor. Subsequently, the Center was not in compliance with Uniform Guidance requirements in the prior year, resulting in the Center losing its qualification as a low-risk entity.

**Conclusion:**

The 2019 data collection form was successfully completed and filed by management in June of 2021.

**TEXAMERICAS CENTER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
Direct Federal Awards:			
<b>U.S. Department of Defense</b>			
Congressionally Directed Assistance	12.599		\$ 997,756
			<u>997,756</u>
<b>Total Expenditures of Direct Federal Awards</b>			<u><u>\$ 997,756</u></u>

**Notes to the Schedule of Federal Awards:**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of TexAmericas Center (the Center) under programs of the federal government for the year ended September 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows in the Center.

**Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and wherein certain types of expenditures are not allowable or are limited to reimbursement.

**Indirect Cost Rate**

The Organization has not elected to use the 10% de minimum indirect cost rate allowed under the Uniform Guidance.

**Finding 2021-001**

TexAmericas Center agrees with Finding 2021-001.

**Corrective Action Plan:**

When the physical assets originally transferred from the U.S. Army to TexAmericas Center (TAC) were recorded, they lacked sufficient detail to be accurately inventoried and/or were recorded in a lump – sum format which was not adequately itemized or segregated into component parts. This is still the case. As such, TAC management has had significant difficulty locating original documentation and itemization for the land and physical property originally transferred from the U.S. Army to TAC.

To address the finding, TexAmericas Center (TAC) is in the process of implementing new financial software, as well as additional policies and controls, to assess and evaluate the fixed asset schedule on an ongoing basis. TAC will explore other effective remedies for these ongoing issues, and additional actions may be undertaken to further remedy the finding.

**Management Contact: Scott Norton**

**Phone Number: 903-223-9841**

**Completion by Date: September 30, 2022**

Significant Audit Matters (Continued)

*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. The following material misstatements detected as a result of audit procedures were corrected by management:

**AJE - to adjust the general fund checking account at year-end for payroll tax payment improperly recorded in January 2021.**

<u>Account Number</u>	<u>Account Name</u>	<u>DR</u>	<u>CR</u>
10010	General Fund Checking	15,145.28	
22210	Payroll Liabilities - Payroll Tax Deposits		15,145.28
		<u>15,145.28</u>	<u>15,145.28</u>

**AJE - to record loan proceeds as an other financing source and to eliminate debt balances at the fund level.**

<u>Account Number</u>	<u>Account Name</u>	<u>DR</u>	<u>CR</u>
24000	Guaranty Loan	7,464,527.66	
79100	Loan Proceeds		7,464,527.66
		<u>7,464,527.66</u>	<u>7,464,527.66</u>

**AJE - to remove the transfer from TAC East Holdings Company No. 1 at the fund level and to record as an other resource/transfer in.**

<u>Account Number</u>	<u>Account Name</u>	<u>DR</u>	<u>CR</u>
4901	Funds Transfer - TAC East	1,989,381.06	
79200	Transfer from TAC East		1,989,381.06
		<u>1,989,381.06</u>	<u>1,989,381.06</u>

**AJE - to post the receivable relating to the timber lawsuit settlement.**

<u>Account Number</u>	<u>Account Name</u>	<u>DR</u>	<u>CR</u>
11000	Accounts Receivable	250,000.00	
40035	Litigation Settlement		250,000.00
		<u>250,000.00</u>	<u>250,000.00</u>



Significant Audit Matters (Continued)

**AJE - to adjust ESCA expenses that were double booked due to over payment on 12/31/20 Matrix invoice.**

<u>Account Number</u>	<u>Account Name</u>	<u>DR</u>	<u>CR</u>
20000	Accounts Payable	295,091.92	
005-65280	Technical Programs CLIN 1,23		295,091.92
		<u>295,091.92</u>	<u>295,091.92</u>

**AJE - to adjust unearned revenue for ESCA and record additional revenue and receivable.**

<u>Account Number</u>	<u>Account Name</u>	<u>DR</u>	<u>CR</u>
22110	Other Current Liabilities-Unearned Revenue	115,862.08	
13060	Other Current Assets-Due to/from ESCA	115,862.08	
005-46000	ESCA - Other		231,724.16
		<u>231,724.16</u>	<u>231,724.16</u>

*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 April 22, 2022.

*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 management's discussion & analysis and the budgetary comparison schedules, which are 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.

Page 4  
Board of Directors  
TexAmericas Center

Other Matters (Continued)

We were engaged to report on the combining statements of net position, combining statements of activities, and schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors 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,

  
CERTIFIED PUBLIC ACCOUNTANTS

Texarkana, Texas  
April 22, 2022



January 31, 2022

Board of Directors and Management of  
TexAmericas Center  
107 Chapel Lane  
New Boston, TX

We are pleased to confirm our understanding of the services we are to provide TexAmericas Center (the Center) for the year ended September 30, 2021. We will audit the financial statements of the governmental activities, which include the blended-component unit, TAC East Holdings Company No. 1 and each major fund, including the related notes to the financial statements, which collectively comprise the basic financial statements, of the Center as of and for the year ended September 30, 2021. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Center's 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. As part of our engagement, we will apply certain limited procedures to the Center's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist 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 will 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. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Budgetary Comparison - General Fund

We have also been engaged to report on supplementary information other than RSI that accompanies the Center's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole in a report combined with our auditor's report on the financial statements:

- 1) Schedule of Expenditures of Federal Awards.
- 2) Combining Statements of Net Position
- 3) Combining Statements of Activities

#### **Audit Objectives**

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole.

### **Audit Objectives (Continued)**

The objective also includes reporting on—

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of 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, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Board of Directors of the Center. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

### **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, an unavoidable risk exists that some material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and

#### **Audit Procedures—General (Continued)**

performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

#### **Audit Procedures—Internal Control**

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

#### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Center's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

### **Audit Procedures—Compliance (Continued)**

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the Center's major programs. For federal programs that are included in the Compliance Supplement, our compliance and internal control procedures will relate to the compliance requirements that the Compliance Supplement identifies as being subject to audit. The purpose of these procedures will be to express an opinion on the Center's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

### **Other Services**

We will also assist in preparing the financial statements, schedule of expenditures of federal awards, and related notes of the Center in conformity with U.S. generally accepted accounting principles and the Uniform Guidance based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements, schedule of expenditures of federal awards, and related notes services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

### **Management Responsibilities**

Management is responsible for (1) designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, including identification of all related parties and all related-party relationships and transactions, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance, (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit as a whole.

**Management Responsibilities (Continued)**

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon or make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

**Management Responsibilities (Continued)**

You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

**Email Communication**

In connection with this engagement, we may communicate with you or others via email. As emails can be intercepted, disclosed, used, and/or otherwise communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed, we cannot ensure that emails from us will be properly delivered and read only by the addressee. Therefore, we disclaim and waive any liability for interception or unintentional disclosure of email transmissions, or for the unauthorized use or failed delivery of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage arising from the use of email, including any punitive, consequential, incidental, direct, indirect, or special damages, such as the loss of revenues or anticipated profits, or disclosure of confidential information.

**Engagement Administration, Fees, and Other**

We may from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

We will provide copies of our reports to the Center; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.



**Engagement Administration, Fees, and Other (Continued)**

The audit documentation for this engagement is the property of Thomas and Thomas, PLLC and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Thomas and Thomas, PLLC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Mason Andres is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to supervise the engagement and to sign the report. We expect to begin our audit as soon as the records are available and issue our report no later than April 30, 2022.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$27,500. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will adjust the fee accordingly.

We appreciate the opportunity to be of service to Center and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.


Very truly yours,

  
CERTIFIED PUBLIC ACCOUNTANTS

**RESPONSE:**

This letter correctly sets forth the understanding of TexAmericas Center.

Management Signature:   
Title: Executive Director / CEO  
Date: 2/9/22

Governance Signature:   
Title: Chairman of the Board  
Date: 2/9/22