TexAmericas Center

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2014

	Enterprise Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating Income (Loss)	$ (319,475)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	719,825
(Increase) decrease in accounts receivable	352,629
(Increase) decrease in prepaid items	(2,200)
Increase (decrease) in accounts payable	3,740
Increase (decrease) in accrued liabilities	(39,724)
Increase (decrease) in accrued compensated absences	2,009
Increase (decrease) in interfund payables	(471,727)
Total adjustments	564,552
Net cash provided by operating activities	$ 245,077

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Center relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the Center are described below.

A. REPORTING ENTITY

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

B. RELATED ORGANIZATIONS

TexAmericas Center's Board of Directors is also responsible for appointing the members of the boards of other organizations, but TexAmericas Center's accountability for these organizations do not extend beyond making the appointments. The Board of Directors appoints a member of the

Riverbend Water Resources District board. The position is appointed with an individual who is not a member of the Board of Directors.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

D. BASIS OF ACCOUNTING

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

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

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

TexAmericas Center reports the following major governmental fund:

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

TexAmericas Center reports the following major proprietary fund:

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

The accounting and reporting policies of TexAmericas Center relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants, and by the Financial Accounting Standards Board (when applicable).

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of TexAmericas Center are water, waste water, and industrial waste water charges and reimbursable service work. Operating expenses for the proprietary fund include the cost of service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is TexAmericas Center's policy to use unrestricted resources first, and then restricted resources as they are needed.

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

1. Cash and Cash Equivalents

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

2. Investments

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

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

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

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

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

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

Investments for TexAmericas Center are reported at fair value. Short-term investments, such as certificates of deposit, with a maturity date of less than one year, are reported at cost plus interest earned, which approximates fair value. On September 30, 2014, TexAmericas Center had $6,114,909 invested in certificates of deposit.

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

3. Receivables and Payables

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

TexAmericas Center provides allowances for uncollectable receivables in compliance with generally accepted accounting principles. However, at September 30, 2014 the balance of the allowance account is $0 since management believes all receivables to be fully collectible.

4. Prepaid Items

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

5. Restricted Assets

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

6. Capital Assets

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

Governmental activities:

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

Business-type activities:

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

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

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

7. Compensated Absences

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

8. Long-term Obligations

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

9. Fund equity

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

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

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

10. Estimates

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

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

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

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

One element of that reconciliation explains that "capital assets used in governmental activities are not financials resources and, therefore, not reported in the funds." The details of this $46,822,845 difference are as follows:

Land and timber	$	18,681,944
Buildings		21,788,230
Less: Accumulated depreciation - buildings		(11,058,114)
Roads and rail		19,301,497
Less: Accumulated depreciation - roads and rail		(3,107,048)
Equipment		524,814
Less: Accumulated depreciation - equipment		(278,834)
Construction in progress		370,356
Net adjustment to increase *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	46,222,845

Another element of that reconciliation explains that "long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds." The details of the ($339,190) difference are as follows:

Notes Payable	$	(306,433)
Compensated Absences		(32,757)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position- governmental activities*	$	(339,190)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balance – total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this ($1,326,171) difference are as follows:

Capital Outlay	$ 263,967
Expenses reclassified to programs and/or below the capitalization thres	188,604
Depreciation Expense	(1,778,742)

Net Adjustment to decrease *net change in fund balances -total governmental funds* to arrive at *change in net position of governmental activities* $(1,326,171)

NOTE 3 – STEWARDSHIP, COMPLIANCE AND RESPONSIBILITY

A. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general and proprietary funds. Prior to September 30, the Executive Director/CEO submits to the Board of Directors the proposed expenditures and the means of financing them. Prior to October 1, the budget is legally enacted through passage of a resolution. Any revisions that alter the budget of any fund must be approved by the Board of Directors. Budgets presented are as originally adopted, or as amended by TexAmericas Center.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2014, there were no programs in which expenditures exceeded appropriations in the general fund.

NOTE 4 – DEPOSITS AND INVESTMENTS

On September 30, 2014, all of TexAmericas Center's cash and investments were covered by either federal depository insurance or collateral held by the pledging financial institution's agent in TexAmericas Center's name.

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

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

Concentrations of credit risk of over 5% by issuer on September 30, 2014 are as follows:

Investment Type	*Issuer*		*Fair Value*	*% of Total Investment*
Cash & certificates of deposit	Guaranty Bank	$	16,142,656	81%
Certificates of deposit	Farmers Bank		2,408,941	12%
Cash	Regions Bank		1,447,323	7%

NOTE 5 – RECEIVABLES

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

	General	Proprietary	Total
Receivables:			
Leases	16,248	-	16,248
Utilities	358	694,945	695,303
Timber Sales	59,680	-	59,680
Miscellaneous	6,968	-	6,968
Grant	451,488	-	451,488
Gross Receivables	534,742	694,945	1,229,687
Less: Allowance for Uncollectibles	-	-	-
Net Total Receivables	534,742	694,945	1,229,687

Governmental funds report deferred inflows of resources, such as unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, TexAmericas Center had no unavailable revenue (deferred inflows of resources) and had $1,448,276 of unearned revenue (liability) for the ESCA grant funds which had been received prior to revenue recognition.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 was as follows:

Governmental Activities:	Balance October 1, 2013	Additions	Sales	Transfers	Balance September 30, 2014
Capital Assets, Not Being Depreciated:					
Land & Timber	$ 19,544,339	$ 30,266	$ (892,661)	$ -	18,681,944
Buildings - Salvage	1,477,239	-	-	-	1,477,239
Roads & Rail - Salvage	2,036,129	-	-	-	2,036,129
Equipment - Salvage	248,256	-	(89,495)	(102,265.00)	56,496
Construction in Progress	234,972	135384	-	-	370,356
Total Capital Assets, Not Being Depreciated	23,540,935	165,650	(982,156)	(102,265)	22,622,164
Capital Assets, Being Depreciated:					
Buildings & Improvements	20,286,497	24,493	-	-	20,310,990
Roads & Rail	17,043,279	222,089	-	-	17,265,368
Equipment	339,605	40,338	(13,890)	102,265	468,318
Total Capital Assets, Being Depreciated	37,669,381	286,920	(13,890)	102,265	38,044,676
Less Accumulated Depreciation For:					
Buildings & Improvements	(10,020,137)	(1,037,976)	-	-	(11,058,113)
Roads & Rail	(2,452,059)	(654,989)	-	-	(3,107,048)
Equipment	(196,993)	(85,777)	3,936	-	(278,834)
Total Accumulated Depreciation	(12,669,189)	(1,778,742)	3,936	-	(14,443,995)
Total Capital Assets, Being Depreciated, Net	25,000,192	(1,491,822)	(9,954)	102,265	23,600,681
Governmental Capital Assets, Net	$ 48,541,127	$ (1,326,172)	$ (992,110)	$ -	$ 46,222,845

Business-Type Activities	Balance October 1, 2013	Additions	Retirement	Transfers	Balance September 30, 2014
Capital Assets, Not Being Depreciated:					
Construction in Progress	$ 6,496,498	$510,059.00	$ -	$ (6,910,080)	$ 96,477
Total Capital Assets, Not Being Depreciated	6,496,498	510,059	-	(6,910,080)	96,477
Capital Assets, Being Depreciated					
Utility System	-			6,532,637	6,532,637
Donated Utility System	3,160,153	-	-	-	3,160,153
Utility System Improvements	4,967,125	139,019	(234,502)	377,443	5,249,085
Intangible Assets	334,003	-	-	-	334,003
Equipment	1,162,327	-	(78,156)	-	1,084,171
Total Capital Assets, Being Depreciated	9,623,608	139,019	(312,658)	6,910,080	16,360,049
Less Accumulated Depreciation For:					
Utility System	-	(272,193)	-		(272,193)
Donated Utility System	(1,652,034)	(158,008)	-	-	(1,810,042)
Utility System Improvements	(604,289)	(145,692)	11,935	-	(738,046)
Intangible Assets	(57,648)	(8,350)	-	-	(65,998)
Equipment	(694,364)	(135,582)	69,015	-	(760,931)
Total Accumulated Depreciation	(3,008,335)	(719,825)	80,950	-	(3,647,210)
Total Capital Assets, Being Depreciated, Net	6,615,273	(580,806)	(231,708)	6,910,080	12,712,839
Business-Type Activities Capital Assets, Net	13,111,771	(70,747)	(231,708)	-	12,809,316

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

Construction Commitments

TexAmericas Center has active construction projects as of September 30, 2014. The projects include improvements to the water plant, waste water plant, and the industrial waste water plant.

Governmental

	Amount Spent to date	Committed	Remaining
Hooks Gateway Entrance	$ 208,281	$ 396,570	$ 188,289
Hooks Gateway Rail Crossing	92,129	325,115	232,986
Stormwater Detention Basin	2,332	50,000	47,668
TAC-E Building Deconstruction/Demo	10,265	250,000	239,735
FY14 Signs & Street Lighting	57,349	500,000	442,651
	$ 370,356	$1,521,685	$1,151,329

Enterprise

	Amount Spent to date	Committed	Remaining
Million Gallon Potable Water Tank	$ 45,692	$3,000,000	$2,954,308
IWW Effluent Rerouting	7,180	73,660	66,480
Hayes Lift Station	43,605	53,704	10,099
	$ 96,477	$3,127,364	$3,030,887

NOTE 7 – INTERFUND RECEIVEABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 3014 is as follows:

Receivable Fund	Payable Fund	Amount
Proprietary	General	$467,752

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

NOTE 8 – LONG-TERM OBLIGATIONS

Governmental funds long-term debt:

In December 2009, TexAmericas Center negotiated financing on a building. The bank was given a mortgage on the building in exchange for a note in the amount of $985,600. The note has a term of seven years and an interest rate of 3.59%. Interest paid during the year totaled $31,619. On October 7, 2011, TexAmericas Center negotiated with a local financial institution for a line of credit in the amount of $1,500,000 with an interest rate of 2.75%. At fiscal year end 2014, TexAmericas Center had drawn $0 on the line of credit. Interest expense paid during the year on the line of credit totaled $0.

Payout of governmental funds long-term debt at September 30, 2014 is as follows:

Requirements Year Ending September 30	Principal	Interest	Total
2015	$ 149,304	$ 10,659	$ 159,963
2016	157,129	4,399	161,528
Total	$ 306,433	$ 15,058	$ 321,491

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

Original Note Balance	Balance 10/1/2013	Borrowings	Repayments	Balance 9/30/2014
$ 985,600	$ 501,430	$ -	$ 194,997	$ 306,433
	$ 501,430	$ -	$ 194,997	$ 306,433

Proprietary fund long-term debt:

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

Business-type Activities	Interest Rates	Original Amount	Balance 9/30/2014
Water & Wastewater System Revenue Refunding Bonds, Series 2014A	3.080%	$5,110,000	$4,600,000
Water & Wastewater System Revenue Bonds, Series 2014B	5.37%	6,900,000	6,600,000
Total		12,010,000	11,200,000
Current portion			(745,000)
Long-term debt			$ 10,455,000

September 30	Principal	Interest	Total
2015	$ 745,000	$ 425,260	$ 1,170,260
2016	775,000	468,002	1,243,002
2017	800,000	438,636	1,238,636
2018	830,000	408,271	1,238,271
2019	865,000	376,638	1,241,638
2020-2024	3,485,000	1,381,628	4,866,628
2025-2029	2,130,000	775,966	2,905,966
2030-2032	1,570,000	171,574	1,741,574
Total	$ 11,200,000	$ 4,445,974	$ 15,645,974

Refunding

The Center issued $5,110,000 in taxable Water and Wastewater System Revenue bonds with an interest rate of 3.08% during fiscal year 2014. The bonds were used to refund $5,080,000 of outstanding 2005 Water and Wastewater System Revenue Bonds, which had an interest rate of 5.10% to 5.85%. The net proceeds of $5,121,493 were deposited into an irrevocable trust with an escrow agent to retire the refunded bonds on March 24, 2014. As a result, the 2005 revenue bonds were fully retired and the liability for those bonds has been removed from the statement of net position.

The Center had an economic gain (difference between the present values of the debt service payments on the old and new debt) of $539,330.

Changes in long-term liabilities:

Long-term liability activity for the year-ended September 30, 2014, was as follows:

Governmental Activities:	Balance 10/1/2013	Borrowings	Repayments	Balances 9/30/2014	Due Within One Year
Notes Payable	$ 501,430	$ -	$ (194,997)	$ 306,433	$ 149,304
Compensated Absences	52,005	31,047	(50,295)	32,757	21,380
Govenrnmental Activities Long-Term Liabilities	$ 553,435	$ 31,047	$ (245,292)	$ 339,190	$ 170,684

Business-type Activities:	Balance 10/1/2013	Borrowings	Repayments	Balances 9/30/2014	Due Within One Year
Revenue Bonds	$ 5,080,000	$ 12,010,000	$ (5,890,000)	$ 11,200,000	$ 745,000
Compensated Absences	27,166	25,799	(23,790)	29,175	18,552
Business-type Activities Long-Term Liabilities	$ 5,107,166	$ 12,035,799	$ (5,913,790)	$ 11,229,175	$ 763,552

NOTE 9 – LEASES OF PROPERTY

In the course of operations, TexAmericas Center's general fund leases property received from the Army to various individuals and private companies. The center's normal leasing practice is annual agreements. The tenants are offered option years should they renew their lease. The option years are not guaranteed revenue. A summary of future minimum rentals due to TexAmericas Center on major non-cancelable leases in the aggregate and for each of the next two years are as follows:

For the Year Ended September 30	Minimum Lease
2015	$ 955,195
2016	32,503
Total	$ 987,698

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

Volumetric Charges and Operating Revenues

Two different volumetric rates agreed to in the contract with the Army multiplied by the Army's stipulated annual usage expressed as a percentage of the entire rate base create set payments that produce operating revenue for the system. These two rates are referred to as the Fixed Volumetric Charge and the Variable Volumetric Charge. The Fixed Volumetric Charge is subject to adjustment every 5 years based on the weighted average annual usage by the army expressed as a percentage of the entire rate base. Both the Fixed and Variable Volumetric Charges ratchet upwards in years 5, 10, and 15 of the contract.

Facility Charge and Capital Investment Recovery

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

NOTE 11 – EMPLOYEE RETIREMENT SYSTEM

TexAmericas Center sponsors a defined contribution plan for those employees that elect to participate. The plan is a Government Plan as defined in Internal Revenue Code Section 457(b) and is administered through InWest Retirement Solutions and Wachovia Financial Services. All employees of TexAmericas Center are eligible to elect participation in the plan. Employees may contribute, by salary reduction, a percentage as specified in the Internal Revenue Code. TexAmericas Center matches the employee contributions on a discretionary basis. Employees are eligible for employer contributions after 6 months of employment. The current policy matches up to 12.5% of employee compensation based on the following rates: 2 for 1 up to the first 4% of compensation; 1 for 1 within 5-7% of compensation; .5 to 1 within 8-10% of compensation. Employees vest after 6 months. The Center incurred $139,168 in pension expense for the fiscal year ended September 30, 2014.

NOTE 12 - CONTIGENCIES

TexAmericas Center receives grant funding from the U.S. Department of Defense, and the Office of Economic Adjustment. Expenditures financed by grants are subject to audit by the appropriate grantor agency. If expenditures are disallowed due to noncompliance with grant program regulations, TexAmericas Center may be required to reimburse the grantor agency. As of September 30, 2014, significant amounts of grant expenditures have not been audited but TexAmericas Center believes that disallowed expenditures, if any, will not have a material effect on the overall financial position of TexAmericas Center.

NOTE 13 – RISK MANAGEMENT

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

NOTE 14- SUBSEQUENT PRONOUNCEMENTS

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

Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, issued June 2012 will be effective for the year ending September 30, 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

Statement No. 69, *Government Combinations and Disposals of Government Operations* – issued January 2013 will be effective for the fiscal year ending September 30, 2015. This Statement establishes accounting and financial reporting standards related to governmental combinations and disposals of government operations, including a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The Statement also provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold.

Statement No. 71, *Pension Transition for Contributions Made Subsequently to the Measurement Date – An Amendment of GASB Statement No. 68*, issued in November 2013 will be effective for the year ending September 30, 2015, simultaneously applied with the provisions of Statement 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

NOTE 15 – MANAGEMENT REVIEW

In preparing these financial statements, TexAmericas Center has evaluated events and transactions for potential recognition or disclosure through March 31, 2015, the report issuance date.

VAIL & KNAUTH, LLP
CERTIFIED PUBLIC ACCOUNTANTS
AUDIT TAX AND ADVISORY SERVICES

Michael G. Vail, CPA
Chris E. Knauth, CPA
Charles T. Gregg, CPA
Don E. Graves, CPA
Pamela C. Moore, CPA
Courtney N. Cooper, CPA

Members:
American Institute of CPAs
Texas Society of CPAs

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities of the TexAmericas Center as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the TexAmericas Center's basic financial statements, and have issued our report thereon dated March 31, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Weil + Knauth, LLP

Richardson, Texas
March 31, 2015

RIVERBEND WATER RESOURCES DISTRICT

FINANCIAL STATEMENTS

For the Year Ended
September 30, 2014

Table of Contents

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }
COUNTY OF ______________________________ }

____ of the
(Name of Duly Authorized District Representative)

____
(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of the Directors of the District on the ________ day of __________________
its annual audit report for the fiscal year or period ended ______________________________
and that copies of the annual audit report have been filed in the district office, located at__________

____
(Address of District)

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date:______________ By: ______________________________________
(Signature of District Representative)

____
(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this _____ day of ____________________, _____.

(SEAL)

____
(Signature of Notary)

My Commission Expires On:___________________________
Notary Public in the State of Texas.

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HOLLIDAY, LEMONS, & COX, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Riverbend Water Resources District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Riverbend Water Resources District (District), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District'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 the 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 of material misstatement.

An audit includes 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 risk 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.

2001 MOORES LANE • TEXARKANA, TEXAS 75503 • (903) 823-2727 • FAX (903) 823-2734
WWW.HLCCPAS.COM

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of September 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 9 – 12 and page 25 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 the 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 District's basic financial statements. The Supplemental Schedules required by the Texas Commission on Environmental Quality on pages 25 – 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Schedules required by the Texas Commission on Environmental Quality have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2015, on our consideration of the District's 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 to describe the scope of our testing of internal control over financial reports and compliance and the results of that testing, and not to provide an opinion on 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 the District's internal control over financial reporting and compliance.

Holliday, Lemons, & Cox, P.C.

March 3, 2015

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Financial Section

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Riverbend Water Resources District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Riverbend Water District for the fiscal year ended September 30, 2014.

Financial Highlights

- In fiscal year 2014, the District's net position decreased 49% or $156,339 to $163,515.
- The District's operating revenue decreased 23% or $69,538 to $230,430.
- The District's expenses increased 120% or $211,332 to $387,166.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Riverbend Water Resources District's basic financial statements. The District's basic financial statements consists of fund financial statements and the noted to the financial statements. The report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

The financial statements – The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The District's activities are functions that are intended to recover all or a significant portion of their costs through user fees and charges and are thus, considered as business-type activities.

The District, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District uses an enterprise fund, which is a type of proprietary fund, to account for its water and sewer operations. Although the District does not currently operate water and/or wastewater facilities, the District receives revenue from its participating members based on the number of gallons of water purchased by the entities.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the basic financial statements.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the Riverbend Water Resources District, assets exceeded liabilities by $163,515 as of September 30, 2014.

NET POSITION

	2014	2013 (as restated)	Change
Assets			
Current assets	$191,715	319,854	(128,139)
Liabilities			
Current liabilities	23,700	-	23,700
Non-current liabilities	4,500	-	4,500
Total liabilities	28,200	-	28,200
Net position			
Unrestricted	163,515	319,854	(156,339)
Total net position	163,515	319,854	(156,339)
Total liabilities and net position	$191,715	319,854	(128,139)

At the end of fiscal year 2014, the District showed a positive balance in its unrestricted net position of $163,515, which may be utilized in future years.

CHANGES IN NET POSITION

	2014	2013 (as restated)	Change
Revenue			
Operating revenue	$ 230,430	299,968	(69,538)
Expense			
Operating expenses	387,166	175,834	211,332
Operating income (loss)	(156,736)	124,134	(280,870)
Nonoperating revenues			
Interest income	397	362	35
Change in net position	(156,339)	124,496	(280,835)
Net position, beginning of year, as previously reported	319,854	(430,145)	749,999
Prior period adjustment		625,503	(625,503)
Net position, beginning of year, as restated	319,854	195,358	124,496
Net position, end of year	$ 163,515	319,854	(156,339)

The District's had a decrease in net position during the year of $156,339. The District's total operating revenues decreased by $69,538 from fiscal year 2014 from the 2013 revenue. Charges for services for water fees received during fiscal year 2014 of $205,430 were decreased from fiscal year 2013 of $234,968 by $29,538, or 13%. There was a decrease in grants revenue of $65,000 and an increase in intergovernmental revenue of $25,000 for the funding received from Southwest Arkansas Water District for shared consulting expenses.

The District's total expenses increased 120% or $211,332 due primarily to an increase in salaries and engineering services.

Economic Factors and Next Year's Budget

The District's economic position for 2014 remained stable. The estimated gallons of water produced in the region for the year neared six billion gallons. As the region's water needs continue to grow, so shall the responsibilities and economic position of the District.

In 2014 the District approved a business plan which identified five primary goals.

1. Establish the organization and budget of the District.
2. Build a new regional water treatment plant.
3. Educate the public on role and purpose of the District.
4. Strengthen the District's presence within the region, state and federal arenas.
5. Facilitate legislation to create a bi-state district.

A primary goal of the District is to provide a sustainable water supply and regional water treatment infrastructure for water user groups within the area. In early 2014 the District engaged MWH Engineering for preparing a regional water treatment facilities master plan. The objective of the study is to prove a business case for regional water supply and treatment needs over the next fifty years, recommend a preferred plan, and demonstrate project viability to the District and its key stakeholders. The plan will provide sufficient technical and financial information to promote regional support for a project.

Also, in early 2014 the District retained MWH Engineering to conduct a preliminary review of water supply availability in Northeast Texas and Southwest Arkansas. The study was amended in July to also analyze the availability of water for diversion from the Red River in Arkansas. The goal of the study is to discover the availability of water supplies for local needs and potential significant supplies available for export to other regions.

Midyear, the District began to assess the possibility of acquiring water and wastewater utilities from TexAmericas Center. In August, the Board affirmed the acquisition of TexAmericas utilities was warranted and entered into a Letter of Intent with TexAmericas Center to negotiate the transfer of water and wastewater services.

The initial focus of the District's 2015 budget will be to continue efforts started last year in preparing a regional water treatment facilities master plan and study the availability of water within the region. The impending transition of TexAmericas Center utilities in early 2015 will substantially change the District's financial position and responsibilities. The District's budget could evolve from annual revenue collection of roughly $200,000 to around $3 million dollars by year-end. Most of the year will entail managing the transition of utility services from TexAmericas Center.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information included in this report or requests for additional financial information, should be addressed to the District's Executive Director at 3930 Galleria Oaks, Texarkana, Texas 75503 or by telephone at 903-223-3905.

Basic Financial Statements

RIVERBEND WATER RESOURCES DISTRICT

STATEMENT OF NET POSITION
ENTERPRISE FUND
September 30, 2014

ASSETS	
Cash	$ 170,859
Accounts receivable	20,856
TOTAL ASSETS	191,715
LIABILITIES	
Current liabilities:	
Accounts payable	19,700
Accrued compensated absences	4,000
Total current liabilities	23,700
Noncurrent liabilities:	
Accrued compensated absences	4,500
Total noncurrant liabilities	4,500
TOTAL LIABILITIES	28,200
NET POSITION	
Unrestricted	163,515
TOTAL NET POSITION	$ 163,515

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
ENTERPRISE FUND
For the Year Ended September 30, 2014

OPERATING REVENUES	
Charges for services	$ 205,430
Intergovernmental revenue	25,000
Total operating revenues	230,430
OPERATING EXPENSES	
Accounting and audit	19,550
Bank service fees	20
Car allowance	7,200
Conference and seminars	2,951
Dues and memberships	893
Employee benefits	8,658
Insurance	2,607
Meeting expense	3,536
Miscellaneous	1,190
Office expense and supplies	3,973
Payroll taxes	10,438
Rent	6,600
Salaries and wages	138,500
Telephone	2,757
Consulting	52,825
Engineering services	111,117
Web design and maintenance	2,610
Legal and professional fees	8,976
Travel expenses	2,765
Total operating expense	387,166
Operating income (loss)	(156,736)
NONOPERATING REVENUES	
Interest income	397
Total nonoperating revenues	397
Change in net position	(156,339)
Net position, beginning of year, as previously reported	(540,617)
Prior period adjustment	860,471
Net position, beginning of year, as restated	319,854
Net position, end of year	$ 163,515

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

Riverbend Water Resources District

STATEMENT OF CASH FLOWS
ENTERPRISE FUND
For the Year Ended September 30, 2014

Cash flows from operating activities:	
Cash received from customers	$ 215,086
Cash paid to suppliers	(228,966)
Cash paid to employees	(130,000)
Cash received from other water district	25,000
Net cash used by operating activities	(118,880)
Cash flows from investing activities:	
Interest received	397
Net cash provided from investing activities	397
Net decrease in cash	(118,483)
Cash, beginning of year	289,342
Cash, end of year	$ 170,859

<u>Reconciliation of net income to net cash used by operating activities</u>

Operating income (loss)	$ (156,736)
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in assets:	
Accounts receivable	9,656
Increase (decrease) in liabilities:	
Accounts payable	19,700
Accrued compensated absences	8,500
Total adjustments	37,856
Net cash used by operating activities	$ (118,880)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Operations of the Reporting Entity

The Riverbend Water Resources District (District) is a political subdivision of the State of Texas created with the passage of Texas Senate Bill 1223 in 2009, pursuant to the authority granted by Section 59, Article XVI of the Texas Constitution. This provision authorizes the legislature to create agencies to develop and conserve the natural resources of the State of Texas. In establishing the District, legislature delegated to it all the powers enumerated under Article 49 of the Texas Water Code along with the express authority to contract with other states and political subdivisions of other states of the United States in the performance of the District's lawful duties.

In 2011 the Texas Legislature re-organized composition of the District Board of Directors and appointed a temporary conservator with the passage of HB 3847. The temporary conservator served as the District's administrator until July 4, 2012. The current Board of Directors were appointed January 2012, drew lots to determine staggered terms, with three of the directors serving three-year terms and two of the directors serving four-year terms. The District Board consists of two directors appointed by the City of Texarkana, TX, one director appointed by the City of New Boston, one director appointed by TexAmericas, and one director appointed by multiple general law communities within the region.

The District currently serves fifteen (15) organizations including the cities of Annona, Atlanta, Avery, De Kalb, Hooks, Leary, Maud, Nash, New Boston, Redwater, Texarkana, TX, Wake Village and TexAmericas Center, Red River and Bowie Counties. The organizations served by the District desire to procure certain services from the District and participate in the funding of the development of District projects in exchange for a specified fee and dollar-for-dollar credits towards participation in future water purchases should the District develop such capability, and the District is willing to provide such services and agree to such credits. Organizations served by the District agree to pay or dedicate to the District a fee of $0.045 per 1,000 gallons of potable water processed through Lake Texarkana Water Supply Corporation facilities that each organization purchases from the City of Texarkana, Texas.

B. Measurement Focus and Basis of Accounting

For financial reporting purposes, the District reports its operations on an enterprise fund basis. Enterprise funds (a proprietary fund type) are accounted for on a flow of economic resources measurement focus. This measurement focus provides that all assets and liabilities associated with operations are included on the Statement of Net Position.

The accrual basis of accounting is utilized by the District for financial reporting. Under the accrual basis of accounting, income is recorded when earned and expenses are recorded at the time liabilities are incurred. The Statement of Revenue, Expenses, and Changes of Net Position present increases (income) and decreases (expenses) in District net position.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with ongoing operations. Operating revenues include service charges and related fees for acting as the designee and local sponsor and agent for the member organizations regarding certain matters and supervising performance of agreements between the member organizations and the City of Texarkana, Texas as well as revenue received from the Southwest Arkansas Water District (SWAWD) for shared consulting expenses based on the agreement between the District and SWAWD dated March 24, 2014 and amended June 26, 2014. Operating expenses include all necessary costs related to the performance and administration of the District's ongoing activities. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Financial Reporting

The District's basis financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting, including GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Revenues are recognized when earned, and costs and expenses are recognized when incurred.

D. Assets, Liabilities and Net Position

1. Use of Estimates

The preparation of the basic 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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash

Cash and cash equivalents are considered to be cash on hand and cash on deposit.

3. Receivables

Accounts receivable are considered fully collectible; accordingly, no allowance for doubtful accounts is required. In the event an account in whole or in part becomes uncollectible in the future, such amount will be charged to operations when that determination is made.

4. Compensated Absences

The District's policy is to permit the employee to accumulate earned vacation leave. Accumulated vacation time is accrued at year-end to account for the District's obligation to the employee for the amount owed. The employee earns 15 days of vacation each year, or 120 hours. The unused vacation can be carried forward from year to year and will be paid out upon termination unless the employee resigns. The employee also receives 10 days each year of sick time. Unused sick time does not carry forward from year to year and is not payable upon termination. No accrual for sick time is reported.

5. Budgetary Policies

The District adopts an annual budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period.

6. Net Position

Unrestricted net position is the net amount of the assets and liabilities that are not included in the determination of the net investment in capital assets or restricted net position. Sometimes the District may fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

NOTE 2 – CASH

The District's cash balance as of September 30, 2014 was $170,859.

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. The District's demand deposit account, and time and saving deposit accounts with financial institutions are each insured by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of $250,000. As of September 30, 2014, the District's deposits were adequately covered by the FDIC.

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single financial institution. The District does not have written policy covering concentration of credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

The District's accounts receivable as of September 30, 2014 was $20,856. The District considers all accounts receivable to be fully collectible; therefore, no allowance for doubtful accounts is recorded. In the event an account in whole or in part becomes uncollectible in the future, such amount will be charged to operations when that determination is made.

NOTE 4 – COMPENSATED ABSENCES

Changes to compensated absences for the fiscal year ending September 30, 2014, were as follows:

	Balance October 1, 2013	*Earned*	*Taken*	*Balance September 30, 2014*	*Current Portion*	*Long-term Portion*
Compensated absences	$ -	15,000	(6,500)	8,500	4,000	4,500

NOTE 5 – UNRESTRICTED NET POSITION

The District's unrestricted net position as of September 30, 2014 was $163,515.

NOTE 6 – INTERGOVERNMENTAL REVENUE

The District received $25,000 from Southwest Arkansas Water District to aid in securing the services of a third-party consultant, MWH Americas, Inc. (MWH), to prepare a high-level summary regarding available water supply estimates for Northeast Texas and Southwest Arkansas.

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and other claims of various natures. The District participates in the Texas Water Conservation Association Risk Management Fund (Fund) to ensure the appropriate insurance has been acquired for the fund year in relation to District operations and assets in the event of a loss. The District has workers compensation coverage, general liability, errors and omissions liability, and automobile insurance through the Fund. The District maintains general liability coverage of $1,000,000, errors and omissions liability coverage of $1,000,000 per claim and $1,000,000 annual aggregate, and automobile insurance coverage of $1,000,000. The District has a deductible of $1,000 under the policies. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

NOTE 8 – CONTINGENCIES

Litigation

In the ordinary course of operations, the District is subject to claims from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Water fees

Operating revenue for the District represent fees paid by the member organizations for future water credits should the District develop a project with the capability of providing potable water. Each one dollar in advances may be exchanged for one dollar in credits that the District will accept for the purchase of water.

Should certain outside influences beyond the District's control prohibit the District in proceeding with the project, the District will have no liability to refund any advances made by the member organizations. However, if the District decides, within five (5) years of the effective date of the agreement with the member organizations, that it does not wish to develop, construct or operate the project, other than the reasons stated in the preceding sentence, the District will repay advances made by the member organizations, together with any interest at the Federal Reserve Bank of New York prime rate minus one percent (1%) as posted on the date of the advance. The District management believes that the likelihood that the advances paid by the member organizations will be refunded is remotely possible. The amount of advances paid by each member organization by year is as follows:

Member Organization	2014	2013	Prior Years	Total
City of Annona	$ 427	$ 498	$ 764	$ 1,690
City of Atlanta	14,879	16,119	7,440	38,438
City of Avery	1,207	1,409	7,847	10,463
City of DeKalb	4,109	4,794	7,922	16,826
City of Hooks	7,236	7,839	20,860	35,935
City of Leary	1,241	964		2,205
City of Maud	2,521	2,731	7,059	12,312
City of Nash	3,813	4,060	1,811	9,684
City of New Boston	19,026	22,197	41,055	82,278
City of Redwater	5,037	5,673	3,472	14,181
City of Texarkana, TX	123,706	144,324	462,219	730,250
City of Wake Village	8,809	10,277	23,755	42,841
Red River County				-
TexAmericas Center	13,418	14,082	34,453	61,952
Unknown			6,846	6,846
Total	$ 205,430	$ 234,968	$ 625,503	$ 1,065,901

NOTE 9 – NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS

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

Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013 will be effective for the year ending September 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The Statement also provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold.

NOTE 10 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to unrestricted net position to correct the amount of deferred revenue recorded in previous years. In prior years water fees collected were recorded as deferred revenue. Upon further examination of the contracts with the member organizations, it was determined that the amounts collected for water fees should, in fact, be recognized as revenue in the year collected since the District had "earned" the fees by fulfilling the services required by the contracts. A prior period adjustment was made effective October 1, 2013 to increase unrestricted net position by $860,471 and a corresponding decrease in deferred revenue.

NOTE 11 – SUBSEQUENT EVENTS

In preparing these financial statements, management of the District has evaluated events and transactions for potential recognition or disclosure through March 3, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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RIVERBEND WATER RESOURCES DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
ENTERPRISE FUND
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES				
Charges for services	$ 204,962	204,962	205,430	468
Intergovernmental revenue		25,000	25,000	-
Total operating revenues	204,962	229,962	230,430	468
OPERATING EXPENSES				
Accounting and audit	27,000	21,000	19,550	1,450
Bank service fees	150	150	20	130
Car allowance	7,200	7,200	7,200	-
Conference and seminars		3,000	2,951	49
Dues and memberships	305	1,000	893	107
Employee benefits	16,444	9,100	8,658	442
Insurance	2,854	9,900	2,607	7,293
Meeting expense	1,560	4,000	3,536	464
Miscellaneous	5,000	2,500	1,190	1,310
Office expense and supplies	1,200	4,500	3,973	527
Payroll taxes	9,945	10,500	10,438	62
Rent	6,000	6,600	6,600	-
Salaries and wages	130,000	130,000	138,500	(8,500)
Telephone	3,000	3,200	2,757	443
Consulting	50,400	54,000	52,825	1,175
Engineering services	1,200	102,500	111,117	(8,617)
Web design and maintenance	1,000	3,000	2,610	390
Legal and professional fees		12,500	8,976	3,524
Travel expenses	4,000	3,000	2,765	235
Total operating expenses	267,258	387,650	387,166	484
Operating income (loss)	(62,296)	(157,688)	(156,736)	952
NONOPERATING REVENUES				
Interest income	-	-	397	397
Total nonoperating revenues	-	-	397	397
Change in net position	(62,296)	(157,688)	(156,339)	1,349
Net position, beginning of year, as previously reported	(540,617)	(540,617)	(540,617)	-
Prior period adjustment	860,471	860,471	860,471	-
Net position, beginning of year, as restated	319,854	319,854	319,854	-
Net position, end of year	$ 257,558	162,166	163,515	1,349

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