

**TEXOMA AREA
PARATRANSIT SYSTEM, INC.
AUDITED FINANCIAL STATEMENTS**

For the Years Ended September 30, 2021 and 2020

TEXOMA AREA PARATRANSIT SYSTEM, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Texoma Area Paratransit System, Inc.

We have audited the accompanying financial statements of Texoma Area Paratransit System, Inc. (TAPS) as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise TAPS' 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.

Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TAPS for the years ended September 30, 2021 and 2020, and the changes in financial position and its cash flows for the years 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 on pages 4-7 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 TAPS' basic financial statements. The accompanying 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 not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 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 March 3, 2022, on our consideration of TAPS' 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 reporting 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 TAPS' internal control over financial reporting and compliance.



Kushner LaGraize, L.L.C
Metairie, Louisiana
March 3, 2022

TEXOMA AREA PARATRANSIT SYSTEM, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS *For the Year Ended September 30, 2021 and 2020*

This section of Texoma Area Paratransit System, Inc. (TAPS) annual financial report presents our discussion and analysis of TAPS financial performance during the fiscal year that ended on September 30, 2021. Please read it in conjunction with TAPS' financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Our financial statements provide these insights into the results of this year's operations:

- During March 2020, the World Health Organization declared the novel coronavirus ("Covid-19") outbreak a public health emergency. The virus has impacted TAPS service hours and continues to be of significant concern. The long-term effects cannot be determined at this time.
- TAPS' net position was \$2,560,308, an increase of \$977,752 from the prior year. This increase is mainly due to the increase in capital contributions.
- Operating revenues from fare box collections for the year were \$36,257, an increase of \$7,163 from the prior year. Expenses from operations were \$2,969,812, up by \$65,175 from the prior year, and is due to the Long-Range Planning Study.
- Federal, State and Local grants were \$3,574,052, an increase of \$850,190 from the prior year due to additional funding through the CARES ACT with no match requirements and capital grants received for rolling stock procurement.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts - management's discussion and analysis, the basic financial statements and other supplementary information. The financial statements also include notes that explain in more detail some of the information in the financial statements and provide more detailed data.

The *Basic Financial Statements* – Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows provide both long-term and short-term information about the overall financial status. The Statement of Net Position includes all assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). This financial statement reports net assets and how they have changed. Net Position – the difference between assets and liabilities – are one way to measure financial health or position. Over time, increases or decreases in net position are an indicator of whether its financial health is improving or deteriorating, respectively. The Statement of Net Position also provides the basis for computing rate of return, evaluating the capital structure and assessing liquidity and financial flexibility.

TEXOMA AREA PARATRANSIT SYSTEM, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS- CONTINUED

For the Year Ended September 30, 2021 and 2020

All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of operations over the past year and can be used to determine whether operations have successfully recovered all its costs through user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, capital and financing activities and provides answers to such questions as where did the cash come from, what was the cash used for, and what was the change in cash balance during the reporting period.

Our auditor has provided assurance in the Independent Auditor's Report, located immediately following this MD&A, that the Basic Financial Statements are fairly stated. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the parts in the Financial Statements.

FINANCIAL ANALYSIS

The Statements of Net Position includes all of the assets and liabilities and provides information about the nature and amount of investments in resources and the obligations to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility.

To begin our analysis, a condensed summary of the Statement of Net Position is presented in the table below.

	2021	2020
ASSETS		
Current assets	\$ 755,052	\$ 520,409
Restricted assets	161,670	98,633
Capital assets, net of depreciation	2,779,565	1,949,861
Total Assets	3,696,287	2,568,903
LIABILITIES		
Current liabilities	1,076,081	926,449
Long-term liabilities	59,898	59,898
Total Liabilities	1,135,979	986,347
NET POSITION		
Net investment in capital assets	2,779,565	1,949,861
Restricted	161,670	98,633
Unrestricted	(380,927)	(465,938)
Total net position	\$ 2,560,308	\$ 1,582,556

TEXOMA AREA PARATRANSIT SYSTEM, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the Year Ended September 30, 2021 and 2020

Ending net position was \$2,560,308, an increase of \$977,752 from the prior year due to capital purchases of rolling stock. Of the total net position, \$2,779,565, is not available for use as it is an investment in capital assets.

A condensed summary of the Statement of Revenues, Expenses and Changes in Net Position is presented in the table below.

	2021	2020
OPERATING REVENUES	\$ 2,648,056	\$ 2,666,249
DIRECT OPERATING EXPENSES		
Depreciation	383,461	383,398
Operating	2,586,351	2,521,239
	<u>2,969,812</u>	<u>2,904,637</u>
Loss from operations	(321,756)	(238,388)
	<u>1,299,508</u>	<u>1,783,450</u>
NONOPERATING REVENUES (EXPENSES)		
Change in Net Position	977,752	1,545,062
NET POSITION - Beginning	<u>1,582,556</u>	<u>37,494</u>
NET POSITION - Ending	<u><u>\$ 2,560,308</u></u>	<u><u>\$ 1,582,556</u></u>

Changes in Net Position

Operating revenues from farebox collections for the year increased. Operating expenses increased by \$65,175. This increase was mainly due to a long-range transit planning study. Non-operating revenues from Federal, State and Local Capital grants totaled \$1,196,710 as compared to \$338,135 from the prior year.

Capital Assets

A summary of capital assets for the year is as follows:

	2021	2020
NON-DEPRECIABLE CAPITAL ASSETS		
Land	\$ 211,780	\$ 211,780
DEPRECIABLE CAPITAL ASSETS		
Buildings	1,296,471	1,069,270
Leasehold improvements	200,734	200,734
Equipment	521,426	476,821
Vehicles	3,017,225	2,916,115
TOTAL DEPRECIABLE CAPITAL ASSETS	<u>5,035,856</u>	<u>4,662,940</u>
TOTAL CAPITAL ASSETS	<u><u>\$ 5,247,636</u></u>	<u><u>\$ 4,874,720</u></u>

TEXOMA AREA PARATRANSIT SYSTEM, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the Year Ended September 30, 2021 and 2020

TAPS' capital assets of \$5,247,636 at the end of 2021 consisted of vehicles in the amount of \$3,017,225. TAPS purchased twelve new transit vehicles and a new staff vehicle during the year. There was an increase of \$227,204 in buildings due to the addition of covered parking at the maintenance facility.

Depreciation expense totaled \$383,461 as compared to \$383,398 from the prior year.

Contacting TAPS Financial Management

This financial report is designed to provide our customers, funders and general public with a general overview of TAPS' accountability for the funds it receives. If you have questions about this report, or need additional financial information, please put in an open records request with the TAPS Board of Directors. Main office is 2001 Skyline Dr, Suite A155, Sherman, TX 75092 or call (844) 603-6048.

TEXOMA AREA PARATRANSIT SYSTEM, INC.

STATEMENTS OF NET POSITION

September 30, 2021 and 2020

ASSETS

	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 258,533	\$ 2,451
Accounts receivable	898	-
Prepaid expenses	17,244	17,265
Due from other governments	<u>478,377</u>	<u>500,693</u>
TOTAL CURRENT ASSETS	755,052	520,409
RESTRICTED ASSETS		
Cash	<u>161,670</u>	<u>98,633</u>
TOTAL RESTRICTED ASSETS	161,670	98,633
NONCURRENT ASSETS		
Capital assets, non-depreciable	211,780	211,780
Capital assets, net of depreciation	<u>2,567,785</u>	<u>1,738,081</u>
TOTAL NONCURRENT ASSETS	<u>2,779,565</u>	<u>1,949,861</u>
TOTAL ASSETS	<u>\$ 3,696,287</u>	<u>\$ 2,568,903</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 425,812	\$ 232,623
Accrued liabilities	<u>650,269</u>	<u>693,826</u>
TOTAL CURRENT LIABILITIES	1,076,081	926,449
NONCURRENT LIABILITIES		
Compensated absences	<u>59,898</u>	<u>59,898</u>
TOTAL LIABILITIES	1,135,979	986,347
NET POSITION		
Net investment in capital assets	2,779,565	1,949,861
Restricted	161,670	98,633
Unrestricted	<u>(380,927)</u>	<u>(465,938)</u>
TOTAL NET POSITION	<u>2,560,308</u>	<u>1,582,556</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,696,287</u>	<u>\$ 2,568,903</u>

TEXOMA AREA PARATRANSIT SYSTEM, INC.
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Federal direct financial assistance	\$ 711,535	\$ 702,500
State financial assistance	1,665,807	1,683,227
Fare revenue	36,257	29,094
Public contributions	213,925	225,075
Advertising	3,800	2,900
In-kind contributions	16,200	16,200
Other income	<u>532</u>	<u>7,253</u>
TOTAL OPERATING REVENUES	2,648,056	2,666,249
OPERATING EXPENSES		
Vehicle expenses	142,011	129,106
Building maintenance	1,818	1,395
Subcontractor expense	2,370,917	2,306,631
Travel	2,806	1,436
Supplies	1,515	13,081
Utilities	21,432	29,591
Insurance	18,832	18,361
Legal fees	339	329
In-kind expense	16,200	16,200
Advertising expense	4,986	373
Depreciation	383,461	383,398
Other operating costs	<u>5,495</u>	<u>4,736</u>
TOTAL OPERATING EXPENSES	<u>2,969,812</u>	<u>2,904,637</u>
OPERATING LOSS	(321,756)	(238,388)
NON-OPERATING REVENUES		
Debt forgiveness	43,559	1,422,606
Gain on sale of assets	<u>59,239</u>	<u>22,709</u>
TOTAL NON-OPERATING REVENUES	<u>102,798</u>	<u>1,445,315</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(218,958)	1,206,927
Capital contributions	<u>1,196,710</u>	<u>338,135</u>
CHANGES IN NET POSITION	977,752	1,545,062
NET POSITION – BEGINNING OF YEAR	<u>1,582,556</u>	<u>37,494</u>
NET POSITION – END OF YEAR	<u>\$ 2,560,308</u>	<u>\$ 1,582,556</u>

TEXOMA AREA PARATRANSIT SYSTEM, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 253,616	\$ 282,306
Federal and state financial assistance	2,399,658	2,347,523
Payments to suppliers	<u>(2,376,939)</u>	<u>(2,757,091)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	276,335	(127,262)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds on sale of vehicles	59,239	22,709
Capital grants	1,196,710	338,135
Payments to acquire capital assets	<u>(1,213,165)</u>	<u>(347,657)</u>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>42,784</u>	<u>13,187</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	319,119	(114,075)
CASH AND CASH EQUIVALENTS – BEGINNING (including \$98,633 in restricted assets)	<u>101,084</u>	<u>215,159</u>
CASH AND CASH EQUIVALENTS – ENDING (including \$161,670 in restricted assets)	<u>\$ 420,203</u>	<u>\$ 101,084</u>
RECONCILIATIONS OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating loss	\$ (321,756)	\$ (238,388)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	383,461	383,398
Decrease (Increase) in accounts receivable	(898)	1,784
Increase (Decrease) in prepaid expenses	21	(17,265)
(Increase) Decrease in due from other government	22,316	(38,204)
Decrease (Increase) in accounts payable	<u>193,191</u>	<u>(218,587)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 276,335</u>	<u>\$ (127,262)</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Non-cash contributions received in-kind	\$ 16,200	\$ 16,200
Debt forgiveness	43,559	1,422,606

TEXOMA AREA PARATRANSIT SYSTEM, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended September 30, 2021 and 2020

ORGANIZATION

Texoma Area Paratransit System, Inc. ("TAPS") was incorporated on July 14, 1986 as a Texas nonprofit corporation. Its purpose is to provide coordinated transportation services to the public in several North Central Texas counties. Services are directed primarily toward meeting the needs of the elderly, handicapped and economically disadvantaged.

The Texas legislature enacted the Rural and Urban Transit Act in 1995 which created transit districts that can receive public transportation funds through the Texas Department of Transportation. TAPS meets the requirements of the Act, it operates as a Rural and Urban Transit District which means that TAPS is considered a Political Subdivision of State of Texas. Additionally, TAPS also holds 501 C3 status.

As a political subdivision, TAPS is distinct from, and is not an agency of, the State of Texas or any other local government unit. TAPS is not subject to federal, state, or local income taxes or sales taxes.

In March 2016, the TAPS Board of Directors entered into a 5-year Public Private Partnership with Transdev Services, Inc. to manage and directly operate the TAPS transit system. All employees are employed by Transdev Services, Inc. On November 18, 2020, TAPS' Board of Directors and Transdev Services, Inc. extended the term of the agreement an additional five years to February 28, 2026.

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements of TAPS have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. TAPS is reported as a stand-alone entity as defined by GASB Statement No. 14, as amended by GASB Statement No. 61, "The Financial Reporting Entity." TAPS is fiscally dependent on the federal and state governments for financial assistance. However, it does not provide specific financial benefits to or impose specific financial burdens on the governments. No other potential component units meet the criteria for inclusion in the financial statements of TAPS.

Basis of Accounting

TAPS operations are accounted for in a proprietary fund type - the enterprise fund. The proprietary fund type is accounted for using the flow of economic resources measurement focus.

TEXOMA AREA PARATRANSIT SYSTEM, INC.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the Years Ended September 30, 2021 and 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Accounting - Continued

With this measurement focus all assets and liabilities associated with the operations are included on the statement of net position. Fund equity is segregated into contributed capital and net position. The operating statement presents increases (revenues) and decreases (expenses) in net total position.

TAPS operations are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. The measurement focus emphasizes the determination of net income.

TAPS follows the accrual basis of accounting for its proprietary fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, TAPS may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Texas law and national banks having their principal offices in Texas.

Restricted Cash

Cash and cash equivalents that are restricted as to withdrawal or use under the terms of certain contractual agreements are recorded as restricted cash on the Statement of Net Position.

Restricted cash balances include cash from sales of capital assets originally purchased with federal or state funds that are required to be held for future capital use.

Capital Assets

TAPS defines capital assets as those with an individual cost of \$5,000 or more and a useful life exceeding five years. They are included on the Statement of Net Position at cost, and are depreciated over their useful life, using the straight-line method. Donated capital assets are recorded at estimated fair market value at the date of donation.

TEXOMA AREA PARATRANSIT SYSTEM, INC.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the Years Ended September 30, 2021 and 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets - Continued

All capital assets are depreciated using the straight-line method over the following useful lives.

<u>Description</u>	<u>Estimated Lives</u>
Building and improvements	40 years
Furniture, fixtures and equip	5-7 years
Vehicles	5-12 years

Leasehold improvements are depreciated over the applicable lease term.

Impairment of Capital Assets

Management evaluates its capital assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value or fair value less cost to sell.

Revenue Recognition

Grants – Support received under grant contract agreements with various federal and state agencies are recorded as revenue when the costs are incurred. Grants receivable at September 30, 2021 and 2020 represents amounts due for expenses incurred prior to the respective fiscal year end.

Public contributions – Contributions received from the public, publicly traded corporations, intercounty agencies, and local governments are recognized as support when received and are reported as unrestricted net position.

Private contributions – Contributions received from private corporations are recognized as support when received and are reported as unrestricted net position.

In-kind contributions – represent the estimated fair value of contributed assets, facilities, fuel, equipment, and professional and administrative fees. Contributions of services are only recognized if the services received require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations. The amount of in-kind contributions recognized in 2021 and 2020 was \$16,200.

TEXOMA AREA PARATRANSIT SYSTEM, INC.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the Years Ended September 30, 2021 and 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Income Taxes

TAPS operates under Section 501(c)(3) of the Internal Revenue Code and is generally exempt from federal, state and local income taxes. Accordingly, no provision for income taxes is included in the financial statements. TAPS recognizes the financial impact of a tax position when it is more likely than not that the position will be sustained upon examination. As of September 30, 2021, TAPS did not have any uncertain tax positions. Tax years ended September 30, 2020, 2019, 2018 remain subject to examination by taxing authorities.

Compensated Absences

TAPS employees earned vacation and sick leave beginning with the month following the probationary period. Accrued leave is based on eight hours per day for full-time employees working 40 hours per week and a pro-rata share for those working 30 or more hours per week. Sick leave was accrued at the rate of one day per month. Vacation leave was accrued annually based on length of service at rates ranging from 5 - 20 days. The maximum amount of vacation and sick leave that could be earned was 200 hours and 264 hours, respectively. Sick leave was not vested and unused hours were forfeited upon termination of service. Accumulated unused vacation was fully vested but was not fully paid upon termination of service. The liability is presented as noncurrent in the accompanying financial statements as management may not be able to pay this within the next year. All current employees are employed by Transdev Services, Inc.

Net Position

In proprietary fund financial statements, equity is classified as net position and displayed in three components:

- A. Net investment in capital assets - consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- B. Restricted net position - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- C. Unrestricted net position - all other net assets that do not meet the definition of restricted or net invested in capital assets.

TEXOMA AREA PARATRANSIT SYSTEM, INC.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the Years Ended September 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Net Position - Continued

TAPS considers restricted net position to be spent for expenses first when both restricted and unrestricted resources are available.

Risk Management

TAPS is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. Management is of the opinion that any such losses would be covered by the existing insurance policies held by Transdev Services, Inc. on TAPS' behalf.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Commitments and Contingencies

TAPS receives a substantial amount of its support from federal and state grant programs, the funding of which is subject to the political process. Additionally, the programs are periodically audited for compliance by the granting agencies. The amount, if any, of expenditures which may be disallowed or repayments required by the granting agencies cannot be determined at this time.

During the period of TAPS financial difficulties, the agency was unable to regularly pay all its vendors and accumulated significant debt. As a result, numerous litigation cases are pending, some of which may ultimately result in settlements. For the years ended September 30, 2021 and 2020 the estimated liabilities for these cases was \$645,848 and is included in "accrued liabilities" on the Statement of Net Position.

NOTE 2 - CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, TAPS considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents up to \$250,000.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, TAPS' deposits may not be returned to it. At September 30, 2021 and 2020, TAPS had \$424,674 and \$105,523 on deposit, of which \$174,674 and \$0, respectively, exceeded the federally insured limits of \$250,000.

TEXOMA AREA PARATRANSIT SYSTEM, INC.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the Years Ended September 30, 2021 and 2020

NOTE 3 - ACCOUNTS RECEIVABLE

TAPS believes that sufficient detail of receivable balances is provided in the notes to the financial statements to avoid the obscuring of significant components by aggregation.

Management has evaluated the necessity of providing for an allowance for doubtful accounts and has concluded that no such allowance is required for September 30, 2021.

NOTE 4 - DUE FROM OTHER GOVERNMENTS

The due from other governments represents the amount uncollected from state and federal financial assistance.

The following is a summary of federal and state financial assistance by contracting source:

	September 30, 2021		
	Federal	State	Total
Federal Transit Administration	\$ 201,358	\$ -	\$ 201,358
Texas Department of Transportation	<u>252,022</u>	<u>24,997</u>	<u>277,019</u>
Total due from other governments	<u>\$ 453,380</u>	<u>\$ 24,997</u>	<u>\$ 478,377</u>

	September 30, 2020		
	Federal	State	Total
Federal Transit Administration	\$ 72,498	\$ -	\$ 72,498
Texas Department of Transportation	<u>428,195</u>	<u>-</u>	<u>428,195</u>
Total due from other governments	<u>\$ 500,693</u>	<u>\$ -</u>	<u>\$ 500,693</u>

TEXOMA AREA PARATRANSIT SYSTEM, INC.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the Years Ended September 30, 2021 and 2020

NOTE 5 - CAPITAL ASSETS

Capital assets consist of the following:

	September 30, 2021			Ending Balances
	Beginning Balances	Increases	Decreases	
Capital assets, non-depreciable				
Land	\$ 211,780	\$ -	\$ -	\$ 211,780
Total capital assets, non-depreciable	211,780	-	-	211,780
Capital assets, depreciable				
Buildings	1,069,270	227,201	-	1,296,471
Leasehold improvements	200,734	-	-	200,734
Equipment	476,821	44,605	-	521,426
Vehicles	2,916,115	941,359	(840,249)	3,017,225
Total capital assets, depreciable	4,662,940	1,213,165	(840,249)	5,035,856
Less Accumulated Depreciation	(2,924,859)	(383,461)	840,249	(2,468,071)
Total capital assets, depreciable, net	1,738,081	829,704	-	2,567,785
Capital assets, net	\$ 1,949,861	\$ 829,704	\$ -	\$ 2,779,565

	September 30, 2020			Ending Balances
	Beginning Balances	Increases	Decreases	
Capital assets, non-depreciable				
Land	\$ 211,780	\$ -	\$ -	\$ 211,780
Total capital assets, non-depreciable	211,780	-	-	211,780
Capital assets, depreciable				
Buildings	1,008,826	60,444	-	1,069,270
Leasehold improvements	200,734	-	-	200,734
Equipment	455,281	21,540	-	476,821
Vehicles	3,034,779	265,673	(384,337)	2,916,115
Total capital assets, depreciable	4,699,620	347,657	(384,337)	4,662,940
Less Accumulated Depreciation	(2,925,798)	(383,398)	384,337	(2,924,859)
Total capital assets, depreciable, net	1,773,822	(35,741)	-	1,738,081
Capital assets, net	\$ 1,985,602	\$ (35,741)	\$ -	\$ 1,949,861

TEXOMA AREA PARATRANSIT SYSTEM, INC.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the Years Ended September 30, 2021 and 2020

NOTE 5 - CAPITAL ASSETS – Continued

Depreciation expense for the years ended September 30, 2021 and 2020, totaled \$383,461 and \$383,398, respectively. TAPS owns the maintenance building and related land which are used for its operations. At September 30, 2021 and 2020, TAPS had idle impaired rolling stock with carrying values of \$31,263 and \$143,310, respectively.

Liens assigned to the Texas Department of Transportation (TXDOT) have been placed on the title of all rolling stock purchases made using funds from TXDOT grants.

NOTE 6 – COVID-19

During March 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) outbreak a public health emergency. There have been mandates from international, federal, state, and local authorities requiring forced closures of various schools, businesses, and other facilities and organizations. The situation could negatively impact TAPS’ business. While the closures and limitations of movement, domestically and internationally, are expected to be temporary, the duration of the disruption, and related financial impact, cannot be estimated at this time. Should the closures continue for an extended period of time or should the effects of COVID-19 continue to spread, the impact could have a material adverse effect on TAPS’ net position, results in operations, or cash flows.

NOTE 7 - SUBSEQUENT EVENTS

TAPS has evaluated subsequent events through the date the financials were available to be issued, which corresponds with the date of the Independent Auditor’s Report. No material subsequent events have occurred since September 30, 2021, that require recognition or disclosure in the financial statements.

INDEPENDENT AUDITORS' 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
Texoma Area Paratransit System, Inc.

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 Texoma Area Paratransit System, Inc. (TAPS), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise TAPS' basic financial statements, and have issued our report thereon dated March 3, 2022.

Internal Control over Financial Reporting

In planning and performing our audit the financial statements, we considered TAPS' 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 TAPS' internal control. Accordingly, we do not express an opinion on the effectiveness of TAPS' 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. 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 TAPS' 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 engagement to perform an audit 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.



Kushner LaGraize, L.L.C.
Metairie, Louisiana
March 3, 2022

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

To the Board of Directors
Texoma Area Paratransit System, Inc.

Report on Compliance for Each Major Federal Program

We have audited Texoma Area Paratransit System, Inc.'s (TAPS) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of TAPS' major federal programs for the year ended September 30, 2021. TAPS' major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of TAPS' 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 TAPS' 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 TAPS' compliance.

Opinion on Each Major Federal Program

In our opinion, TAPS, 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.

Report on Internal Control over Compliance

Management of TAPS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered TAPS' 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 TAPS' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or 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 preceding 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.



Kushner LaGraze, L.L.C.
Metairie, Louisiana
March 3, 2022

TEXOMA AREA PARATRANSIT SYSTEM, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended September 30, 2021

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Grant Award Number	State Award Number	Expenditures
FEDERAL AWARDS EXPENDED				
Federal Transit Cluster				
Federal Transit Administration				
Urbanized Area Formula Program	20.507	TX-2017-082-00		\$ 159,744
Covid-19 Urbanized Area Formula Program	20.507	TX-2020-056-00		551,791
Bus and Bus Facilities Program	20.526	TX-2019-089-00		10,937
Bus and Bus Facilities Program	20.526	TX-2020-058-00		48,985
Federal Transit Administration passed Through Texas Dept of Transportation Bus and Bus Facilities Program	20.526	TX-2020-069	BBF 2003 (33)	72,834
Total Federal Transit Cluster				<u>844,291</u>
Federal Transit Administration passed Through Texas Dept of Transportation Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	TX-2019-074	ED 2103 (33)	130,770
Total Transit Services Programs Cluster				<u>130,770</u>
Federal Transit Administration passed Through Texas Dept of Transportation Metropolitan Transportation Planning	20.505	TX-2019-112	PLN 2103 (26)	1,214
Covid-19 Formula Grants for Rural Areas	20.509	TX-2020-072	CAF 2103 (26)	968,361
Formula Grants for Rural Areas	20.509	TX-2019-039	RPT 1902 (26)	445,854
Formula Grants for Rural Areas	20.509	TX-2020-045	RPT 2003 (26)	254,350
Formula Grants for Rural Areas	20.509	TX-2021-063	RPT 2203 (26)	38,593
Bus and Bus Facilities Program and Formula Grants for Rural Areas	20.509	TX-2020-129	DIS 2103 (33)	549,323
				<u>2,256,481</u>
Total Federal Awards Expended				<u>3,232,756</u>
STATE AWARDS EXPENDED				
State Rural Transportation Grant			RUR 2103 (33)	220,562
State Urban Transportation Grant			URB 2103 (26)	117,704
Scholarships				3,030
Total State Awards Expended				<u>341,296</u>
Total Federal and State Awards Expended				<u>\$ 3,574,052</u>

TEXOMA AREA PARATRANSIT SYSTEM, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended September 30, 2021

Note 1. Summary of Significant Accounting Policies and Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal and state financial assistance programs of TAPS and is presented using the accrual basis of accounting. 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. De Minimus Cost Rate

During the year ended September 30, 2021, TAPS did not elect to use the 10% de minimus cost rate as covered in Section 200.414 of the Uniform Guidance.

TEXOMA AREA PARATRANSIT SYSTEM, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2021

I. SUMMARY OF AUDITORS' RESULTS

- a. The type of report issued on the basic financial statements: Unmodified.
- b. Significant deficiencies in internal control were disclosed by the audit of the financial statements: None reported; Material weaknesses: None.
- c. Noncompliance which is material to the financial statements: No.
- d. Significant deficiencies in internal control over major program: None reported; Material weaknesses: None.
- e. The type of report issued on compliance for major program: Unmodified.
- f. Any audit findings which are required to be reported under Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards: None.
- g. Major Programs Include:

<u>Name of Federal Program</u>	<u>Assistance Listing Number</u>
Federal Transit Administration – Federal Transit Cluster	
Formula Grants for Rural Areas	20.507
Bus and Bus Facilities Program	20.526
 Federal Transit Administration passed Through Texas Dept of Transportation	
Formula Grants for Rural Areas	20.509

- h. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
- i. Auditee qualified as a low-risk auditee under Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards: Yes.

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

None noted

3. FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS:

None noted

TEXOMA AREA PARATRANSIT SYSTEM, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended September 30, 2021

I. FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

None

2. FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS:

None