

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

For the Years Ended September 30, 2023 and 2022

TEXOMA AREA PARATRANSIT SYSTEM, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Texoma Area Paratransit System, Inc.

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Texoma Area Paratransit System, Inc. (TAPS), as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise TAPS' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TAPS, as of September 30, 2023 and 2022, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TAPS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TAPS' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 TAPS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TAPS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary 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 and State Awards, 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 the *Texas State Single Audit Circular*, are presented for purposes of additional analysis and are 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 and State Awards are 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 February 21, 2024 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TAPS' 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
February 21, 2024

TEXOMA AREA PARATRANSIT SYSTEM, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS *For the Year Ended September 30, 2023 and 2022*

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, 2023. 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:

- TAPS' net position was \$2,421,029, a decrease of \$161,563 from the prior year.
- Operating revenues from fare box collections for the year were \$43,092, an increase of \$1,161 from the prior year. Expenses from operations were \$3,312,346, up by \$71,728 from the prior year, and is due to a new building feasibility study.
- Federal, State and Local grants were \$3,072,000, a decrease of \$119,545.

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.

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.

TEXOMA AREA PARATRANSIT SYSTEM, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS- CONTINUED
For the Year Ended September 30, 2023 and 2022

Our auditor has provided assurance in the Independent Auditors' Report, located immediately preceding 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.

	2023	2022
ASSETS		
Current assets	\$ 1,081,973	\$ 681,828
Restricted assets	197,719	162,207
Capital assets, net of depreciation	2,379,204	2,703,424
Total Assets	3,658,896	3,547,459
LIABILITIES		
Current liabilities	1,177,969	904,969
Long-term liabilities	59,898	59,898
Total Liabilities	1,237,867	964,867
NET POSITION		
Net investment in capital assets	2,379,204	2,703,424
Restricted	197,719	162,207
Unrestricted	(155,894)	(283,039)
Total net position	\$ 2,421,029	\$ 2,582,592

Ending net position was \$2,421,029, a decrease of \$161,563 from the prior year. Of the total net position, \$2,379,204, is not available for use as it is an investment in capital assets.

TEXOMA AREA PARATRANSIT SYSTEM, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
For the Year Ended September 30, 2023 and 2022

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

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES	\$ 2,956,554	\$ 2,865,125
DIRECT OPERATING EXPENSES		
Depreciation	487,593	473,918
Operating	2,824,753	2,766,700
Total Operating Expenses	<u>3,312,346</u>	<u>3,240,618</u>
Loss from operations	(355,792)	(375,493)
NONOPERATING REVENUES (EXPENSES)	15,720	-
CAPITAL CONTRIBUTIONS	178,509	397,777
Change in Net Position	(161,563)	22,284
NET POSITION - Beginning	<u>2,582,592</u>	<u>2,560,308</u>
NET POSITION - Ending	<u>\$ 2,421,029</u>	<u>\$ 2,582,592</u>

Changes in Net Position

Operating revenues from farebox collections for the year increased. Operating expenses increased by \$71,728. This increase was mainly due a new building feasibility study. Non-operating revenues from Federal, State and Local Capital grants totaled \$178,509 as compared to \$397,777 from the prior year.

Capital Assets

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

	<u>2023</u>	<u>2022</u>
NON-DEPRECIABLE CAPITAL ASSETS		
Land	\$ 211,780	\$ 211,780
Construction in progress	14,731	-
TOTAL NON-DEPRECIABLE CAPITAL ASSETS	<u>226,511</u>	<u>211,780</u>
DEPRECIABLE CAPITAL ASSETS		
Buildings	1,830,196	1,694,248
Leasehold improvements	200,734	200,734
Equipment	565,383	521,426
Vehicles	2,423,568	3,017,225
TOTAL DEPRECIABLE CAPITAL ASSETS	<u>5,019,881</u>	<u>5,433,633</u>
TOTAL CAPITAL ASSETS	<u>\$ 5,246,392</u>	<u>\$ 5,645,413</u>

TEXOMA AREA PARATRANSIT SYSTEM, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
For the Year Ended September 30, 2023 and 2022

TAPS' capital assets of \$5,246,392 at the end of 2023 consisted of vehicles in the amount of \$2,423,568. There was an increase of \$135,948 in buildings due to addition of covered parking on the west side of the Maintenance Facility and \$34,788 due to purchase of a forklift for Maintenance. Construction in progress in the amount of \$14,731 was added for the new operations facility.

Depreciation expense totaled \$487,593 as compared to \$473,918 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, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 456,951	\$ 146,285
Accounts receivable	1,994	1,908
Prepaid expenses	20,840	19,424
Due from other governments	<u>602,188</u>	<u>514,211</u>
TOTAL CURRENT ASSETS	1,081,973	681,828
RESTRICTED ASSETS		
Cash	<u>197,719</u>	<u>162,207</u>
TOTAL RESTRICTED ASSETS	197,719	162,207
NONCURRENT ASSETS		
Capital assets, non-depreciable	226,511	211,780
Capital assets, net of depreciation	<u>2,152,693</u>	<u>2,491,644</u>
TOTAL NONCURRENT ASSETS	<u>2,379,204</u>	<u>2,703,424</u>
TOTAL ASSETS	<u>\$ 3,658,896</u>	<u>\$ 3,547,459</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 520,972	\$ 243,550
Accrued liabilities	654,807	650,269
Unearned revenue	<u>2,190</u>	<u>11,150</u>
TOTAL CURRENT LIABILITIES	1,177,969	904,969
NONCURRENT LIABILITES		
Compensated absences	<u>59,898</u>	<u>59,898</u>
TOTAL LIABILITIES	1,237,867	964,867
NET POSITION		
Net investment in capital assets	2,379,204	2,703,424
Restricted	197,719	162,207
Unrestricted	<u>(155,894)</u>	<u>(283,039)</u>
TOTAL NET POSITION	<u>2,421,029</u>	<u>2,582,592</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,658,896</u>	<u>\$ 3,547,459</u>

TEXOMA AREA PARATRANSIT SYSTEM, INC.
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Federal direct financial assistance	\$ 648,068	\$ 383,808
State financial assistance	2,012,283	2,201,635
Fare revenue	43,092	41,931
Public contributions	233,140	208,325
Private contributions	-	10,000
Advertising	3,600	2,700
In-kind contributions	16,200	16,200
Other income	171	526
TOTAL OPERATING REVENUES	<u>2,956,554</u>	<u>2,865,125</u>
OPERATING EXPENSES		
Vehicle expenses	196,738	202,331
Building maintenance	289	200
Subcontractor expense	2,552,478	2,496,235
Travel	2,149	-
Supplies	1,536	38
Utilities	27,400	23,350
Insurance	21,318	19,010
Legal fees	374	356
In-kind expense	16,200	16,200
Advertising expense	409	239
Depreciation	487,593	473,918
Other operating costs	5,862	8,741
TOTAL OPERATING EXPENSES	<u>3,312,346</u>	<u>3,240,618</u>
OPERATING LOSS	(355,792)	(375,493)
NON-OPERATING REVENUES		
Interest income	197	-
Gain on sale of assets	15,523	-
TOTAL NON-OPERATING REVENUES	<u>15,720</u>	<u>-</u>
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(340,072)	(375,493)
Capital contributions	178,509	397,777
CHANGES IN NET POSITION	(161,563)	22,284
NET POSITION – BEGINNING OF YEAR	<u>2,582,592</u>	<u>2,560,308</u>
NET POSITION – END OF YEAR	<u>\$ 2,421,029</u>	<u>\$ 2,582,592</u>

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

TEXOMA AREA PARATRANSIT SYSTEM, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 270,956	\$ 273,622
Federal and state financial assistance	2,572,374	2,549,609
Payments to suppliers	(2,528,009)	(2,934,942)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	315,321	(111,711)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds on sale of vehicles	46,787	-
Capital grants	178,509	397,777
Payments to acquire capital assets	(194,636)	(397,777)
Interest received	197	-
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	30,857	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	346,178	(111,711)
CASH AND CASH EQUIVALENTS – BEGINNING (including \$162,207 in restricted assets)	308,492	420,203
CASH AND CASH EQUIVALENTS – ENDING (including \$197,719 in restricted assets)	\$ 654,670	\$ 308,492
RECONCILIATIONS OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating loss	\$ (355,792)	\$ (375,493)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	487,593	473,918
Decrease (Increase) in accounts receivable	(86)	(1,010)
(Increase) Decrease in prepaid expenses	(1,416)	(2,180)
(Increase) Decrease in due from other government	(87,977)	(35,834)
(Decrease) Increase in accounts payable	277,422	(182,262)
(Decrease) Increase in accrued liabilities	4,538	-
(Decrease) Increase in unearned revenue	(8,961)	11,150
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 315,321	\$ (111,711)
SUPPLEMENTAL CASH FLOW INFORMATION:		
Non-cash contributions received in-kind	\$ 16,200	\$ 16,200

TEXOMA AREA PARATRANSIT SYSTEM, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended September 30, 2023 and 2022

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(c)(3) 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, 2023 and 2022

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, 2023 and 2022

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, 2023 and 2022 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 2023 and 2022 was \$16,200.

TEXOMA AREA PARATRANSIT SYSTEM, INC.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the Years Ended September 30, 2023 and 2022

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, 2023, TAPS did not have any uncertain tax positions. Tax years ended September 30, 2022, 2021, 2020 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, 2023 and 2022

NOTE I - 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, 2023 and 2022 the estimated liabilities for these cases was \$645,848 and is included in "accrued liabilities" on the Statement of Net Position.

New Pronouncements

During the year ended September 30, 2023, TAPS adopted GASB Statement No. 96, "Subscription Based Information Technology Arrangements", which requires recognition of certain assets and liabilities for subscription payments for software that were expensed. The implementation of this GASB did not have an impact on TAPS' financial statements.

TEXOMA AREA PARATRANSIT SYSTEM, INC.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the Years Ended September 30, 2023 and 2022

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, 2023 and 2022, TAPS had \$654,989 and \$312,888 on deposit, of which \$404,989 and \$62,888, respectively, exceeded the federally insured limits of \$250,000.

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, 2023.

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, 2023			
	Federal	State	Local	Total
Local Government Contributions	\$ -	\$ -	\$ 16,250	\$ 16,250
Federal Transit Administration	243,705	-	-	243,705
Texas Department of Transportation	210,085	132,148	-	342,233
Total due from other governments	<u>\$ 453,790</u>	<u>\$ 132,148</u>	<u>\$ 16,250</u>	<u>\$ 602,188</u>

	September 30, 2022			
	Federal	State	Local	Total
Local Government Contributions	\$ -	\$ -	\$ 42,669	\$ 42,669
Federal Transit Administration	80,695	-	-	80,695
Texas Department of Transportation	161,444	229,403	-	390,847
Total due from other governments	<u>\$ 242,139</u>	<u>\$ 229,403</u>	<u>\$ 42,669</u>	<u>\$ 514,211</u>

TEXOMA AREA PARATRANSIT SYSTEM, INC.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the Years Ended September 30, 2023 and 2022

NOTE 5 - CAPITAL ASSETS - Continued

Depreciation expense for the years ended September 30, 2023 and 2022, totaled \$487,593 and \$473,918, respectively. TAPS owns the maintenance building and related land which are used for its operations. At September 30, 2023 and 2022, TAPS had idle impaired rolling stock with carrying values of \$49,938 and \$86,344, 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 - 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 Auditors' Report. No material subsequent events have occurred since September 30, 2023, 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, 2023, and the related notes to the financial statements, which collectively comprise TAPS' basic financial statements, and have issued our report thereon dated February 21, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

Kushner LaGraize, L.L.C.

Metairie, Louisiana
February 21, 2024

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

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

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited TAPS' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of TAPS' major federal and state programs for the year ended September 30, 2023. TAPS' major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 and state programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal and State Program

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) and the *State of Texas Single Audit Circular* (TSAC). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of TAPS and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of TAPS' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to TAPS' federal and state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on TAPS' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the TSAC will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about TAPS' compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the TSAC, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding TAPS' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of TAPS' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the TSAC, but not for the purpose of expressing an opinion on the effectiveness of TAPS' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 and the TSAC. Accordingly, this report is not suitable for any other purpose.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
February 21, 2024

TEXOMA AREA PARATRANSIT SYSTEM, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended September 30, 2023

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		\$ 247,023
Urbanized Area Formula Program	20.507	TX-2023-024-00		14,731
Covid-19 Urbanized Area Formula Program	20.507	TX-2020-056-00		401,045
Bus and Bus Facilities Program	20.526	TX-2021-075-00		27,830
Federal Transit Administration passed Through Texas Dept of Transportation:				
Bus and Bus Facilities Program	20.526	TX-2022-050	BBF 2303 (26)	42,243
Total Federal Transit Cluster				732,872
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 2301 (26)	61,993
Total Transit Services Programs Cluster				61,993
Federal Transit Administration passed Through Texas Dept of Transportation:				
Metropolitan Transportation Planning				
Formula Grants for Rural Areas	20.505	TX-2021-039	PLN 2301 (26)	1,677
Formula Grants for Rural Areas	20.509	TX-2022-051	RPT 2303 (26)	957,485
Formula Grants for Rural Areas	20.509	TX-2023-108	RPT 2403 (26)	48,050
Formula Grants for Rural Areas	20.509	TX-2020-072	RPT 2103 (26)	116,707
Total Federal Awards Expended				1,123,919 1,918,784
STATE AWARDS EXPENDED				
State Rural Transportation Grant			RUR 2103 (33)	4,460
State Rural Transportation Grant			RUR 2303 (33)	721,955
State Urban Transportation Grant			URB 2303 (26)	191,642
Scholarships				2,019
Total State Awards Expended				920,076
Total Federal and State Awards Expended				\$ 2,838,860

The accompanying notes are an integral part of this schedule.

TEXOMA AREA PARATRANSIT SYSTEM, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended September 30, 2023

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 (Uniform Guidance) and the State of Texas Single Audit Circular. 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, 2023, 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, 2023

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 Uniform Guidance and the State of Texas Single Audit Circular: None.

g. Major Programs Include:

<u>Name of Federal Program</u>	<u>Assistance Listing Number</u>
Federal Transit Administration passed Through Texas Dept of Transportation: Formula Grants for Rural Areas	20.509

Name of State Program
Rural Transit Section 5311

- h. Dollar threshold used to distinguish between Type A and Type B major federal programs: \$750,000.

Dollar threshold used to distinguish between Type A and Type B major state programs: \$750,000.

- i. Auditee qualified as a low-risk auditee: 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, 2023

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

None

2. FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS:

None