TEXOMA AREA PARATRANSIT SYSTEM, INC.

AUDITED FINANCIAL STATEMENTS

For the Years Ended September 30, 2025 and 2024

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, 2025 and 2024, 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, 2025 and 2024, 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 11, 2026 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 11, 2026

TEXOMA AREA PARATRANSIT SYSTEM, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2025 and 2024

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, 2025. 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 $7,516,729, an increase of $2,842,922 from the prior year.
- Operating revenues from fare box collections for the year were $48,277, a decrease of $751 from the prior year. Expenses from operations were $4,040,205, up by $454,750 from the prior year. This is primarily due to an increase in depreciation resulting from the replacement of rolling stock.
- Federal, state and local grants for operations were $2,754,099, a decrease of $159,637.
- Federal and state capital contributions were $3,708,250. This is due to the construction of a new operations facility of approximately $2,900,00 and the purchase of rolling stock of approximately $650,000.

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.

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.

	2025	2024
ASSETS		
Current assets	$ 1,397,772	$ 1,281,452
Restricted assets	198,311	198,014
Capital assets, net of depreciation	7,445,962	4,479,388
Total Assets	9,042,045	5,958,854
LIABILITIES		
Current liabilities	1,525,316	1,207,149
Long-term liabilities	-	59,898
Total Liabilities	1,525,316	1,267,047
NET POSITION		
Net investment in capital assets	7,445,962	4,479,388
Restricted	198,311	198,014
Unrestricted	(127,544)	14,405
Total net position	$ 7,516,729	$ 4,691,807

Ending net position was $7,516,729, an increase of $2,824,922 from the prior year. Of the total net position, $7,445,962, 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.

	2025	2024
OPERATING REVENUES	$ 3,036,406	$ 3,203,556
DIRECT OPERATING EXPENSES		
Depreciation	917,575	514,588
Operating	3,122,630	3,070,867
Total Operating Expenses	4,040,205	3,585,455
Loss from operations	(1,003,799)	(381,899)
NONOPERATING REVENUES (EXPENSES)	120,471	24,440
CAPITAL CONTRIBUTIONS	3,708,250	2,628,237
Change in Net Position	2,824,922	2,270,778
NET POSITION - Beginning	4,691,807	2,421,029
NET POSITION - Ending	$ 7,516,729	$ 4,691,807

Changes in Net Position

Operating revenues from farebox collections for the year decreased. Operating expenses increased by $454,750. This is primarily due to an increase in depreciation resulting from the replacement of rolling stock. Non-operating revenues from federal, state and local capital grants totaled $3,708,250 as compared to $2,628,237 from the prior year. The increase is due to purchase of rolling stock and construction of a new operations facility.

Capital Assets

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

	2025	2024
NON-DEPRECIABLE CAPITAL ASSETS		
Land	$ 211,780	$ 211,780
Construction in progress	-	927,594
TOTAL NON-DEPRECIABLE CAPITAL ASSETS	211,780	1,139,374
DEPRECIABLE CAPITAL ASSETS		
Buildings	5,699,194	1,912,742
Leasehold improvements	200,734	200,734
Equipment	556,142	565,383
Vehicles	3,962,665	3,535,248
TOTAL DEPRECIABLE CAPITAL ASSETS	10,418,735	6,214,107
TOTAL CAPITAL ASSETS	$ 10,630,515	$ 7,353,481

Capital Assets - Continued

TAPS' capital assets of $10,630,515, at the end of 2025, consisted of vehicles in the amount of $3,962,665. There was an increase of $3,786,452 in buildings due the completion of the new operations facility.

Depreciation expense totaled $917,575 as compared to $514,588 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 6104 Texoma Parkway, Sherman, TX 75090 or call (844) 603-6048.

TEXOMA AREA PARATRANSIT SYSTEM, INC.

STATEMENTS OF NET POSITION

September 30, 2025 and 2024

ASSETS

	2025	2024
CURRENT ASSETS		
Cash and cash equivalents	$ 329,688	$ 230,239
Accounts receivable	218	5,151
Prepaid expenses	23,355	22,677
Due from other governments	1,044,511	1,023,385
TOTAL CURRENT ASSETS	1,397,772	1,281,452
RESTRICTED ASSETS		
Cash	198,311	198,014
TOTAL RESTRICTED ASSETS	198,311	198,014
NONCURRENT ASSETS		
Capital assets, non-depreciable	211,780	1,139,374
Capital assets, net of depreciation	7,234,182	3,340,014
TOTAL NONCURRENT ASSETS	7,445,962	4,479,388
TOTAL ASSETS	$ 9,042,045	$ 5,958,854

LIABILITIES AND NET POSITION

	2025	2024
CURRENT LIABILITIES		
Accounts payable	$ 819,560	$ 549,528
Accrued liabilities	698,090	654,807
Unearned revenue	7,666	2,814
TOTAL CURRENT LIABILITIES	1,525,316	1,207,149
NONCURRENT LIABILITES		
Compensated absences	-	59,898
TOTAL LIABILITIES	1,525,316	1,267,047
NET POSITION		
Net investment in capital assets	7,445,962	4,479,388
Restricted	198,311	198,014
Unrestricted	(127,544)	14,405
TOTAL NET POSITION	7,516,729	4,691,807
TOTAL LIABILITIES AND NET POSITION	$ 9,042,045	$ 5,958,854

TEXOMA AREA PARATRANSIT SYSTEM, INC.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Years Ended September 30, 2025 and 2024

	2025	2024
OPERATING REVENUES		
Federal direct financial assistance	$ 776,237	$ 779,760
State financial assistance	1,977,862	2,133,976
Fare revenue	48,277	49,028
Public contributions	216,790	224,118
In-kind contributions	16,200	16,200
Other income	1,040	474
TOTAL OPERATING REVENUES	3,036,406	3,203,556
OPERATING EXPENSES		
Vehicle expenses	195,145	183,525
Building maintenance	277	361
Professional services	37,159	-
Subcontractor expense	2,800,461	2,805,545
Travel	384	-
Supplies	1,105	264
Utilities	35,573	29,073
Insurance	24,800	22,901
Legal fees	3,342	-
In-kind expense	16,200	16,200
Advertising expense	110	3,038
Depreciation	917,575	514,588
Other operating costs	8,074	9,960
TOTAL OPERATING EXPENSES	4,040,205	3,585,455
OPERATING LOSS	(1,003,799)	(381,899)
NON-OPERATING REVENUES		
Debt forgiveness	59,898	-
Interest income	474	434
Gain on sale of assets	60,099	24,006
TOTAL NON-OPERATING REVENUES	120,471	24,440
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(883,328)	(357,459)
Capital contributions	3,708,250	2,628,237
CHANGES IN NET POSITION	2,824,922	2,270,778
NET POSITION – BEGINNING OF YEAR	4,691,807	2,421,029
NET POSITION – END OF YEAR	$ 7,516,729	$ 4,691,807

TEXOMA AREA PARATRANSIT SYSTEM, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 275,891	$ 271,087
Federal and state financial assistance	2,732,973	2,492,539
Payments to suppliers	(2,793,792)	(3,027,948)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	215,072	(264,322)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds on sale of vehicles	72,508	33,885
Capital grants	3,708,250	2,628,237
Payments to acquire capital assets	(3,896,558)	(2,624,651)
Interest received	474	434
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(115,326)	37,905
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	99,746	(226,417)
CASH AND CASH EQUIVALENTS – BEGINNING (including $198,014 in restricted assets)	428,253	654,670
CASH AND CASH EQUIVALENTS – ENDING (including $198,311 in restricted assets)	$ 527,999	$ 428,253
RECONCILIATIONS OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating loss	$ (1,003,799)	$ (381,899)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	917,575	514,588
Decrease (Increase) in accounts receivable	4,933	(3,157)
(Increase) Decrease in prepaid expenses	(678)	(1,837)
(Increase) Decrease in due from other government	(21,126)	(421,197)
(Decrease) Increase in accounts payable	270,032	28,556
(Decrease) Increase in accrued liabilities	43,283	-
(Decrease) Increase in unearned revenue	4,852	624
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 215,072	$ (264,322)
SUPPLEMENTAL CASH FLOW INFORMATION:		
Non-cash contributions received in-kind	$ 16,200	$ 16,200
Compensated absences	59,898	-

TEXOMA AREA PARATRANSIT SYSTEM, INC.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2025 and 2024

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. In February 2026, 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.

NOTE 1 - 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.

NOTE 1 - 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets - Continued

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

Description	Estimated Lives
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, 2025 and 2024 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 2025 and 2024 was $16,200.

NOTE 1 - 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, 2025, TAPS did not have any uncertain tax positions. Tax years ended September 30, 2024, 2023, 2022 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.

Due to the expiration of the statute of limitations, compensated absences were removed from liabilities.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Net Position - Continued

C. Unrestricted net position - all other net assets that do not meet the definition of restricted or net invested in capital assets.

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. In July 2025, TAPS received a garnishment in the amount of $43,283 related to an outstanding obligation originating prior to 2016. For the years ended September 30, 2025 and 2024 the estimated liabilities for these cases was $689,131 and $645,848, respectively, and are included in "accrued liabilities" on the Statement of Net Position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

New Pronouncements

During the year ended September 30, 2025, TAPS adopted GASB Statement No. 101 "Compensated Absences", which prescribes the accounting and financial reporting for compensated absences. The implementation of this GASB did not have an impact on TAPS' financial statements.

During the year ended September 30, 2025, TAPS adopted GASB Statement No. 102 "Certain Risk Disclosures" which requires governments to assess whether concentration or constraint makes the government report a liability for revenue debt vulnerable to the risk of a substantial impact. The implementation of this GASB did not have an impact on TAPS' financial statements.

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, 2025 and 2024, TAPS had $820,270 and $547,666 on deposit, of which $570,270 and $297,666, 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, 2025.

NOTE 4 - DUE FROM OTHER GOVERNMENTS

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

NOTE 4 - DUE FROM OTHER GOVERNMENTS - continued

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

	September 30, 2025			
	Federal	State	Local	Total
Local Government Contributions	$ -	$ -	$ 23,228	$ 23,228
Federal Transit Administration	358,383	-	-	358,383
Texas Department of Transportation	587,542	75,358	-	662,900
Total due from other governments	$ 945,925	$ 75,358	$ 23,228	$ 1,044,511

	September 30, 2024			
	Federal	State	Local	Total
Local Government Contributions	$ -	$ -	$ 83,425	$ 83,425
Federal Transit Administration	581,006	-	-	581,006
Texas Department of Transportation	103,812	255,142	-	358,954
Total due from other governments	$ 684,818	$ 255,142	$ 83,425	$ 1,023,385

NOTE 5 - CAPITAL ASSETS

Capital assets consist of the following:

	September 30, 2025			
	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, non-depreciable				
Land	$ 211,780	$ -	$ -	$ 211,780
Construction in progress	927,594	-	(927,594)	-
Total capital assets, non-depreciable	1,139,374	-	(927,594)	211,780
Capital assets, depreciable				
Buildings	1,912,739	3,786,455	-	5,699,194
Leasehold improvements	200,734	-	-	200,734
Equipment	565,383	202,049	(211,290)	556,142
Vehicles	3,535,251	835,648	(408,234)	3,962,665
Total capital assets, depreciable	6,214,107	4,824,152	(619,524)	10,418,735
Less Accumulated Depreciation	(2,874,093)	(917,575)	607,115	(3,184,553)
Total capital assets, depreciable, net	3,340,014	3,906,577	(12,409)	7,234,182
Capital assets, net	$ 4,479,388	$ 3,906,577	$ (940,003)	$ 7,445,962

NOTE 5 - CAPITAL ASSETS - continued

	September 30, 2024			
	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, non-depreciable				
Land	$ 211,780	$ -	$ -	$ 211,780
Construction in progress	14,731	912,863	-	927,594
Total capital assets, non-depreciable	226,511	912,863	-	1,139,374
Capital assets, depreciable				
Buildings	1,830,196	82,543	-	1,912,739
Leasehold improvements	200,734	-	-	200,734
Equipment	565,383	-	-	565,383
Vehicles	2,423,568	1,629,245	(517,562)	3,535,251
Total capital assets, depreciable	5,019,881	1,711,788	(517,562)	6,214,107
Less Accumulated Depreciation	(2,867,188)	(514,588)	507,683	(2,874,093)
Total capital assets, depreciable, net	2,152,693	1,197,200	(9,879)	3,340,014
Capital assets, net	$ 2,379,204	$ 2,110,063	$ (9,879)	$ 4,479,388

Depreciation expense for the years ended September 30, 2025 and 2024, totaled $917,575 and $514,588, respectively. TAPS owns the maintenance building and related land which are used for its operations. At September 30, 2025 and 2024, TAPS had idle impaired rolling stock with carrying values of $0 for both years.

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. Other than discussed in Note 1, no material subsequent events have occurred since September 30, 2025, 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, 2025, and the related notes to the financial statements, which collectively comprise TAPS' basic financial statements, and have issued our report thereon dated February 11, 2026.

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 11, 2026

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

Opinion on Each Major Federal Program

We have audited TAPS' compliance with the types of compliance requirements identified as subject to audit 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, 2025. TAPS' major federal 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 programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal 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). 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 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 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* and Uniform Guidance 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 program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, 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, 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 program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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. Accordingly, this report is not suitable for any other purpose.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
February 11, 2026

TEXOMA AREA PARATRANSIT SYSTEM, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended September 30, 2025

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-2017-076-00		$ 140,856
Urbanized Area Formula Program	20.507	TX-2023-024-00		181,373
Urbanized Area Formula Program	20.507	TX-2020-056-00		635,381
Covid-19 Urbanized Area Formula Program	20.507	TX-2025-003-00		615,258
Bus and Bus Facilities Program	20.526	TX-2021-075-00		5,782
				1,578,650
Federal Transit Administration passed Through Texas Dept of Transportation:				
Bus and Bus Facilities Program	20.526	TX-2023-014	DIS 2402 (26)	2,785,472
Bus and Bus Facilities Program	20.526	TX-2022-050	BBF 2303 (26)	29,162
Bus and Bus Facilities Program	20.526	TX-2024-097	BBF 2503 (26)	91,203
				2,905,837
Total Federal Transit Cluster				4,484,487
Federal Transit Administration passed Through Texas Dept of Transportation:				
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	TX-2022-049	ED 2503 (26)	99,189
Total Transit Services Programs Cluster				99,189
Federal Transit Administration passed Through Texas Dept of Transportation:				
Metropolitan Transportation Planning	20.505	TX-2023-060	PLN 2501 (26)	5,035
Metropolitan Transportation Planning	20.505	TX-2025-058	PLN 2601 (26)	1,107
Metropolitan Transportation Planning	20.505	TX-2025-058	REG 2502 (26)	9,021
				15,163
Formula Grants for Rural Areas	20.509	TX-2023-108	RPT 2403 (26)	133,902
Formula Grants for Rural Areas	20.509	TX-2024-076	RPT 2503 (26)	876,012
				1,009,914
Total Federal Awards Expended				5,608,753
STATE AWARDS EXPENDED				
State Rural Transportation Grant			RUR 2503 (33)	611,783
State Rural Transportation Grant			RUR 2603 (33)	75,358
State Urban Transportation Grant			URB 2502 (26)	165,654
Scholarships				801
Total State Awards Expended				853,596
Total Federal and State Awards Expended				$ 6,462,349

TEXOMA AREA PARATRANSIT SYSTEM, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended September 30, 2025

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 Minimis Cost Rate

During the year ended September 30, 2025, TAPS did not elect to use the de minimis 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, 2025

1. 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: None.

   g. Major Programs Include:

Name of Federal Program	Assistance Listing Number
Federal Transit Administration Federal Transit Cluster	
Formula Grants for Urban Areas	20.507
Bus and Bus Facilities Program	20.526

   h. Dollar threshold used to distinguish between Type A and Type B major federal programs: $1,000,000.

   i. Auditee qualified as a low-risk auditee: Yes.

   j. A state single audit was not required for the year ended September 30, 2025. State awards received did not meet the $1,000,000 required threshold.

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, 2025

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS:
   None

2. FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AND STATE AWARDS:
   None