

Appendices



Board of Directors Roster 2014

Chairman

Jay Davidson, Councilman
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PO Box 2
Decatur, Texas 76234
940-627-7524-Home
817-992-1328- Cell
jmdconsulting@hotmail.com
Term Started: 11/09
Term Exp: 11/15

Spanky Carter, Judge
Fannin County
101 E Sam Rayburn Dr,
Ste. 101
Bonham, Texas 75418
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Term Started: 9/11
Term Exp: 09/13

Kenneth Liggett, Judge
Clay County
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Henrietta, Texas 76365
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Term Started: 10/08
Term Exp: 10/14

Danny White, Commissioner
Wise County
PO Box 899
Decatur, Texas 76234
940-627-5810-Office
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Comm1@co.wise.tx.us
Term Started: 9/10
Term Exp: 09/14

Randy Pogue, Councilman
City of McKinney
222 N. Tennessee St
McKinney, Texas 75069
972-547-7501-Office
rpogue@mckinneytexas.org
Term Started: 05/13
Term Exp: 05/15

Vice-Chairman

Chris Hill, Commissioner
Collin County
2300 Bloomdale Rd, Ste. 4192
McKinney, TX 75071
chill@collincountytexas.gov
Ph: 972-424-1460
Term Started: 05/13
Term Exp: 05/15

H. L. Compton, Councilman
301 Star Street
Bonham, TX 75418
hlcompton@verizon.net
903-640-0000
214-926-8491
Term Started: 05/13
Term Exp: 05/15

Trent Bass, Treasurer
Grayson County
100 West Houston
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Term Started: 10/12
Term Exp: 10/14

Brian Loughmiller, Mayor
City of McKinney
222 N. Tennessee St
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Term Started: 05/13
Term Exp: 05/15

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City of Sherman
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Term Started: 05/13
Term Exp: 05/15

Secretary

Ken Brawley, Councilman
2813 South Caprice
Denison, TX 75020
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Bus. Phone 903-818-9975
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Term Exp: 01/14

Wanda Wood, Civic Leader,
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1616 FM 1956
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Term Exp: 11/14

Joan Schaffner Civic Leader,
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Term Exp: 02/16

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Term Started: 07/13
Term Exp: 07/15

Eric Hogue, Mayor
City of Wylie (DFW UZA)
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Term Started: 06/13
Term Exp: 06/15

LEADERSHIP STAFF

EXECUTIVE

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Chief Financial Officer teresafoster@tapsbus.com

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Assistant General Manager, North Region

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ORGANIZATIONAL DEVELOPMENT

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------------------------------	--

Ida Stanley Trainer	idastanley@tapsbus.com
-------------------------------	--

Jamie Pine Assistant Trainer	jamiepine@tapsbus.com
--	--

MOBILITY MANAGEMENT & COMMUNITY RELATIONS

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---	--

Jeff Davis Transportation Solutions Coordinator (Clay, Montague, Wise)	(903) 328-2119 jeffdavis@tapsbus.com
--	--

LEADERSHIP STAFF

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LEADERSHIP STAFF

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**FLEET & FACILITIES
MAINTENANCE**

Todd Rumsey
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(A) Illustrative example of a bus station along a busy thoroughfare



(B) An example of a designated bus loading zone

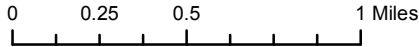
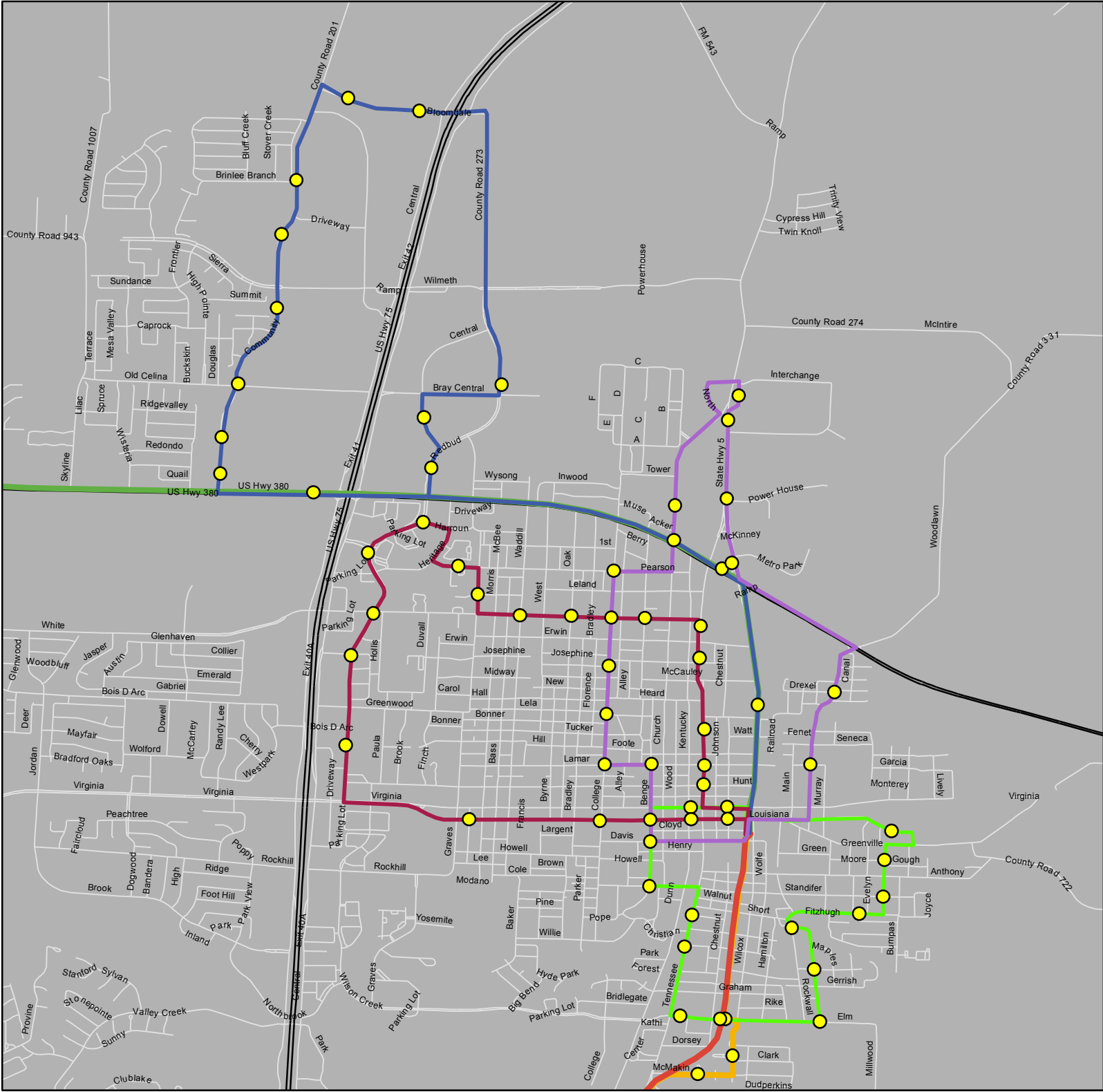


(C) An example of signage [1], route information [2], curb cuts [3], and shelter [4]

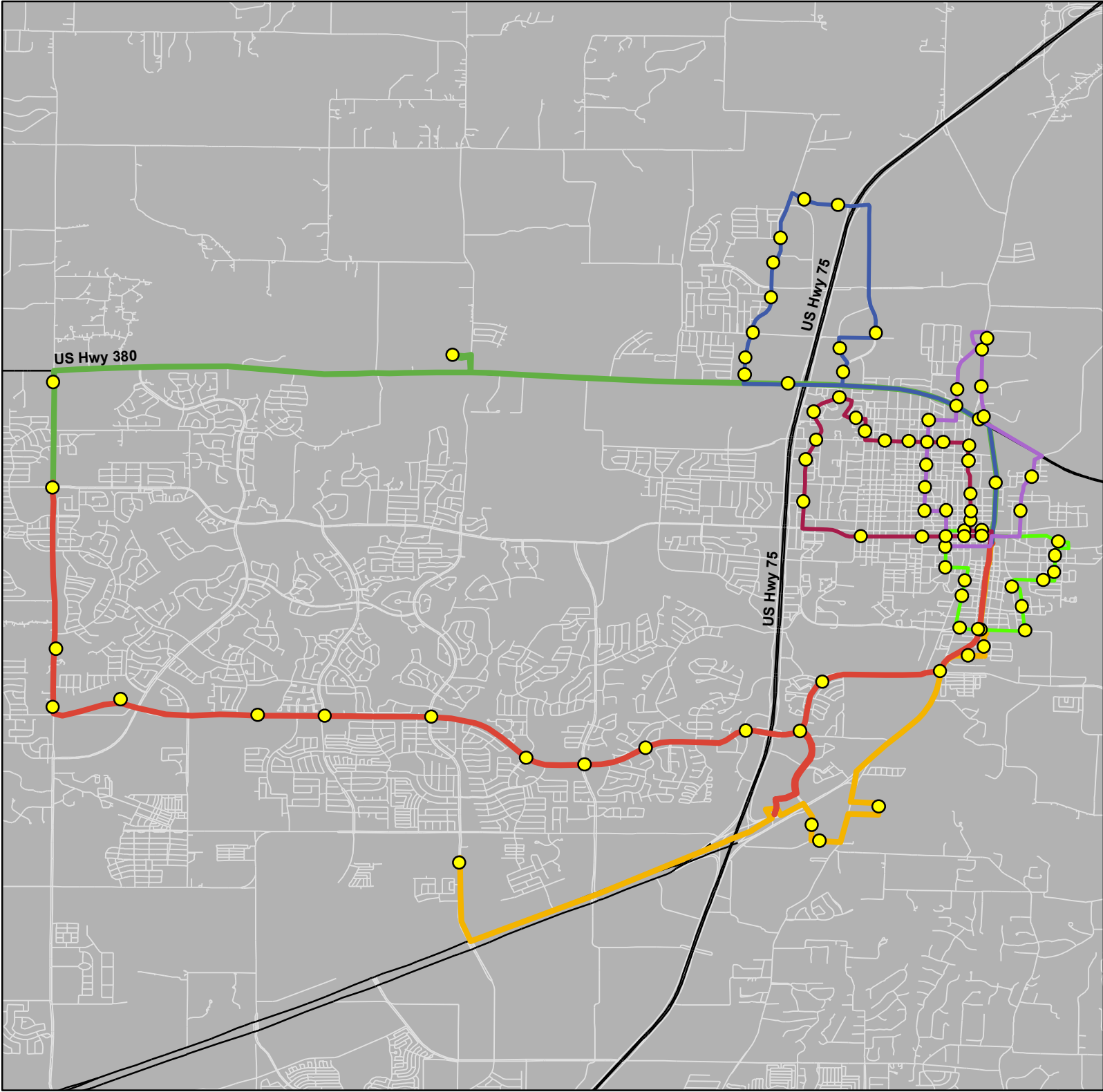


(D) An example of electronic, real-time bus signage

McKinney Fixed Route System



McKinney Fixed Route System



Appendix E

TEXOMA AREA PARATRANSIT SYSTEM, INC. Proposed Budget Amendment 1 - FY 2014			
REVENUE SOURCES	Current FY 2013-2014	Amendment	Revised FY 2013-2014
S 5311 Federal FY13 +RM	475,687.00	0.00	475,687.00
S 5311 Federal FY14 +RM	692,711.00	0.00	692,711.00
M 5311 Federal FY12 +RM	100,000.00	0.00	100,000.00
M 5311 Federal FY13 +RM	150,000.00	0.00	150,000.00
M 5311 Federal FY14 +RM	250,000.00	0.00	250,000.00
S 5311 State FY14	420,000.00	0.00	420,000.00
M 5311 State FY13	50,000.00	0.00	50,000.00
M 5311 State FY14	180,000.00	0.00	180,000.00
S 5310 Federal FY12	40,000.00	0.00	40,000.00
S 5310 Federal FY13	350,000.00	0.00	350,000.00
S 5310 Federal FY14	350,000.00	0.00	350,000.00
M 5310 Federal FY14	239,000.00	0.00	239,000.00
D 5310 Federal FY13	100,000.00	0.00	100,000.00
D 5310 Federal FY14	250,000.00	0.00	250,000.00
S 5307 Federal FY13	475,000.00	0.00	475,000.00
S 5307 Federal FY14	575,000.00	500,000.00	1,075,000.00
M 5307 Federal FY11	748,290.00	0.00	748,290.00
M 5307 Federal FY12 +RM	672,584.00	0.00	672,584.00
M 5307 Federal FY13 +RM	100,000.00	500,000.00	600,000.00
M 5307 Federal FY14 +RM	475,000.00	128,853.00	603,853.00
D 5307 Federal FY13	750,000.00	0.00	750,000.00
D 5307 Federal FY14	245,710.00	0.00	245,710.00
S 5307 State FY14	109,000.00	0.00	109,000.00
M 5307 State FY13	25,000.00	0.00	25,000.00
M 5307 State FY14	100,000.00	0.00	100,000.00
S TxDOT RTC	25,000.00	0.00	25,000.00
S TxDOT JARC Red River	264,000.00	0.00	264,000.00
C TXDOT JARC Rural Collin	347,778.00	0.00	347,778.00
W NCTCOG JARC Wise Co	510,076.00	0.00	510,076.00
RTAP Website	37,500.00	0.00	37,500.00
Medicaid (Logisticare)	45,000.00	0.00	45,000.00
Medicaid (HHSC)	0.00	500,000.00	500,000.00
City of Allen Commuter Contract	430,000.00	0.00	430,000.00
City of McKinney Commuter Contract	166,667.00	0.00	166,667.00
City of Denison	18,000.00	0.00	18,000.00
City of Sherman (CDBG)	20,000.00	0.00	20,000.00
City of McKinney	100,000.00	0.00	100,000.00
City of Gainesville	4,000.00	0.00	4,000.00
City of Bonham	2,500.00	0.00	2,500.00
City of Honey Grove / CofC	900.00	0.00	900.00
City of Bowie	3,000.00	0.00	3,000.00
City of Decatur	7,500.00	0.00	7,500.00
Wise County	25,000.00	0.00	25,000.00
United Way Wise & Cooke Counties	22,000.00	0.00	22,000.00
Local Agency & Misc Contracts	65,000.00	0.00	65,000.00
Contrib/Collegiate/Foundations	175,000.00	0.00	175,000.00
Sale of Vehicles	15,000.00	0.00	15,000.00
Farebox Revenue	575,000.00	0.00	575,000.00

TEXOMA AREA PARATRANSIT SYSTEM, INC.			
Proposed Budget Amendment 1 - FY 2014			
Advertising	5,000.00	0.00	5,000.00
Interest	5.00	0.00	5.00
Operating Loan	0.00	255,000.00	255,000.00
OPERATING SUB-TOTAL	10,786,908.00	1,883,853.00	12,670,761.00
CAPITAL			
S 5307 Federal FY13	236,030.00	0.00	236,030.00
S 5307 Federal FY14	250,000.00	0.00	250,000.00
S 5307 Federal FY14	500,000.00	(500,000.00)	0.00
M 5307 Federal FY 14	1,400,000.00	(1,400,000.00)	0.00
S 5311 InterCity Bus FY13	1,200,000.00	0.00	1,200,000.00
S 5309 Federal FY11 (TxDOT)	31,000.00	0.00	31,000.00
S JARC/NF FY13	51,000.00	0.00	51,000.00
M 5307 Federal FY10	1,000,000.00	(1,000,000.00)	0.00
M 5307 Federal FY12	50,000.00	(50,000.00)	0.00
M 5307 Federal FY13	2,342,353.00	(828,853.00)	1,513,500.00
M 5309 Federal FY13	540,000.00	0.00	540,000.00
W NCTCOG JARC Wise Co	311,000.00	0.00	311,000.00
S 5311 Coordinated Call FY 13	0.00	454,425.00	454,425.00
Capital Loan	0.00	1,400,000.00	1,400,000.00
CAPITAL SUB-TOTAL	7,911,383.00	(1,924,428.00)	5,986,955.00
PLANNING			
S City of Denison (MPO)	4,000.00	0.00	4,000.00
S City of Sherman (MPO)	4,000.00	0.00	4,000.00
M 5307 Federal FY13	50,000.00	0.00	50,000.00
S 5307 Federal FY12	34,000.00	0.00	34,000.00
S 5307 Federal FY13	96,000.00	0.00	96,000.00
S 5307 State FY13	11,000.00	0.00	11,000.00
S 5307 Federal FY14	94,000.00	0.00	94,000.00
S 5307 State FY14	11,000.00	0.00	11,000.00
PLANNING SUB-TOTAL	304,000.00	0.00	304,000.00
TOTAL REVENUE	19,002,291.00	(40,575.00)	18,961,716.00

	Current	Amendment	Revised
OPERATING EXPENSES	FY 2013-2014		FY 2013-2014
Salaries	5,100,000.00	545,000.00	5,645,000.00
Fringe Benefits	1,000,000.00	72,853.00	1,072,853.00
Phys/Drug Test/Background Cks	25,000.00	5,000.00	30,000.00
Driver/Mechanic's Uniforms	14,500.00	5,000.00	19,500.00
Training	50,000.00	0.00	50,000.00
Fuel / Tolls	2,350,000.00	0.00	2,350,000.00
Preventive Maintenance/Repair	500,000.00	0.00	500,000.00
Contract Labor	350,000.00	930,000.00	1,280,000.00
Travel	75,000.00	0.00	75,000.00
Rent / Bldg Maint / Utilities	152,320.00	200,000.00	352,320.00
Telephone / Internet	150,000.00	30,000.00	180,000.00
Office Supplies / Printing	40,000.00	0.00	40,000.00
Technology/Software	250,000.00	0.00	250,000.00
Postage	10,000.00	0.00	10,000.00
Equipment / Equip Svc Contracts	26,588.00	6,000.00	32,588.00
Insurance (Bldg/O&D/Bond/Veh)	130,000.00	15,000.00	145,000.00
Licenses / Fees / Misc / Etc.	7,500.00	0.00	7,500.00

TEXOMA AREA PARATRANSIT SYSTEM, INC. Proposed Budget Amendment 1 - FY 2014			
Audit / Legal / Contract	150,000.00	100,000.00	250,000.00
Marketing / Advertising	100,000.00	(41,000.00)	59,000.00
Dues / Subscriptions	6,000.00	0.00	6,000.00
Other (Misc / Contingencies)	60,000.00	0.00	60,000.00
Purchase Commuter Services	240,000.00	0.00	240,000.00
Relocation Costs	0.00	75,000.00	75,000.00
OPERATING SUB-TOTAL	10,786,908.00	1,942,853.00	12,729,761.00
CAPITAL			
Tablets	12,500.00	30,000.00	42,500.00
Cameras/DVRs	187,500.00	84,000.00	271,500.00
Routers	112,500.00	27,000.00	139,500.00
Radios	123,030.00	30,000.00	153,030.00
CRM Interface development	0.00	100,000.00	100,000.00
Fareboxes	32,000.00	0.00	32,000.00
Telephones	25,000.00	7,500.00	32,500.00
Furniture - McKinney	50,000.00	(50,000.00)	0.00
Barcode Scanners	21,000.00	0.00	21,000.00
Timeclock system	50,000.00	0.00	50,000.00
RouteMatch, Misc Software	150,000.00	0.00	150,000.00
Computers/Servers	105,000.00	37,500.00	142,500.00
Purchase 32 Transit Vehicles	2,902,000.00	(1,000,000.00)	1,902,000.00
Purchase 3 Support Vehicles	90,000.00	0.00	90,000.00
Purchase 1 Maintenance Vehicle	35,000.00	0.00	35,000.00
Bus Shelter Rebranding	5,000.00	0.00	5,000.00
Shop Equipment (Sherm)	82,000.00	0.00	82,000.00
Shop Equipment (McKinney)	265,000.00	(265,000.00)	0.00
Construction (McK Exchange Center)	400,000.00	(400,000.00)	0.00
Acq/Remodel McKinney Fac	563,853.00	(563,853.00)	0.00
Construction (NTRTC)	2,700,000.00	(1,500,000.00)	1,200,000.00
Simulator & Training Facility	0.00	454,425.00	454,425.00
20 minivans, 10 accessible minivans	0.00	1,030,000.00	1,030,000.00
office construction	0.00	45,000.00	45,000.00
Furniture/Cubicles - Sherman	0.00	50,000.00	50,000.00
CAPITAL SUB-TOTAL	7,911,383.00	(1,883,428.00)	6,027,955.00
PLANNING			
Architectural Design	225,000.00	(100,000.00)	125,000.00
Transit Study (MPO)	79,000.00	0.00	79,000.00
PLANNING SUB-TOTAL	304,000.00	(100,000.00)	204,000.00
TOTAL EXPENDITURES	19,002,291.00	(40,575.00)	18,961,716.00
Planned Change in Fund Balance	0.00	0.00	0.00

Texoma Area Paratransit System			
MCDC Capital Cost Allocation			
CAPITAL COSTS- **REQUESTED FUNDING FROM MCDC**			
Description	Cost (Per Unit if Applicable)	Units (if Applicable)	Total
Site Alterations- Davis Street & SH 5	\$75,000	1	\$75,000
Bus Shelters	\$15,000	10	\$150,000
Bus Stop Seating	\$500	80	\$40,000
Conventional Signage	\$20	200	\$4,000
Electronic Signage with Real-Time Updates	\$5,000	6	\$30,000
Stationary Bike Racks	\$150	20	\$3,000
On-Bus Bike Racks	\$150	10	\$1,500
Capital Subtotal			\$303,500

Texoma Area Paratransit System			
MCDC Operating Cost Allocation			
OPERATIONAL COSTS- **FUNDED BY TAPS**			
Description	Cost (Per Unit if Applicable)	Units (if Applicable)	Total
Driver Wages and Fringe Benefits	\$2,730,000		\$2,730,000
Fuel	\$155,000		\$155,000
Preventive Maintenance	\$38,000		\$38,000
Administrative	\$110,000		\$110,000
Capital Subtotal			\$3,033,000

TEXOMA AREA PARATRANSIT SYSTEM, INC
ANNUAL FINANCIAL REPORT
For the Years Ended September 30, 2012 and 2011

**TEXOMA AREA PARATRANSIT SYSTEM, INC.
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September 30, 2012

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Independent Auditor's Report

January 2, 2014, except for Other Matters paragraph below which is as of February 26, 2014

Board of Directors
Texoma Area Paratransit System, Inc.
Sherman, Tx 75090

We have audited the accompanying statements of financial position of Texoma Area Paratransit System, Inc., a nonprofit organization, ("TAPS") as of September 30, 2012 and 2011 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based upon our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texoma Area Paratransit System, Inc. as of September 30, 2012 and 2011, and the changes in its net assets, functional expenses and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2014 and February 26, 2014 on our consideration of TAPS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of TAPS taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with governmental auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,

CONWAY COMPANY CPAs, P.C.

Conway Company CPAs, P.C.

**TEXOMA AREA PARATRANSIT SYSTEM, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets:		
Accounts Receivables	\$ 30,596	\$ 89,781
Grant Receivables	708,873	336,748
Total Current Assets	<u>739,469</u>	<u>426,529</u>
Non-current Assets:		
Fixed Assets:		
Non-depreciable Assets:		
Construction in Progress	14,440	34,742
Land	211,780	211,780
	<u>226,220</u>	<u>246,522</u>
Depreciable Assets:		
Leasehold Improvements	200,735	200,735
Buildings	1,543,457	1,508,842
Equipment	405,407	557,565
Vehicles	3,152,725	3,433,552
Accumulated Depreciation	(2,203,606)	(2,757,171)
Depreciable Assets, net	<u>3,098,718</u>	<u>2,943,523</u>
Total Fixed Assets, net	<u>3,324,938</u>	<u>3,190,045</u>
Total Non-current Assets	<u>3,324,938</u>	<u>3,190,045</u>
Total Assets	<u><u>4,064,407</u></u>	<u><u>3,616,574</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	583,339	177,061
Accrued Liabilities	2,817	25,398
Other Liabilities	101,374	54,686
Compensated Absences	2,506	1,203
Note Payable	-	49,994
Total Current Liabilities	<u>690,036</u>	<u>308,342</u>
Long-term Liabilities:		
Compensated Absences	22,394	43,060
Total Long-term Liabilities	<u>22,394</u>	<u>43,060</u>
Total Liabilities	<u>712,430</u>	<u>351,402</u>
Net Assets:		
Unrestricted Net Assets	3,351,977	3,265,172
Total Net Assets	<u>3,351,977</u>	<u>3,265,172</u>
Total Liabilities and Net Assets	<u><u>\$ 4,064,407</u></u>	<u><u>\$ 3,616,574</u></u>

The accompanying notes are an integral part of this financial statement.

TEXOMA AREA PARATRANSIT SYSTEM, INC.
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues:								
Federal Financial Assistance	\$ 3,312,819	\$ -	\$ -	\$ 3,312,819	\$ 2,143,297	\$ -	\$ -	\$ 2,143,297
State Financial Assistance	706,892	-	-	706,892	791,762	-	-	791,762
Program Income	677,976	-	-	677,976	723,627	-	-	723,627
Fare Revenue	372,499	-	-	372,499	408,133	-	-	408,133
Gain on Asset sales	39,840	-	-	39,840	17,695	-	-	17,695
Public Donations	355,193	-	-	355,193	349,876	-	-	349,876
Interest Income	6	-	-	6	-	-	-	-
Miscellaneous Income	17,712	-	-	17,712	11,760	-	-	11,760
Unrestricted Support and Revenues	5,482,937	-	-	5,482,937	4,446,150	-	-	4,446,150
Expenses								
Program Services:								
Transportation Programs	4,766,468	-	-	4,766,468	3,910,230	-	-	3,910,230
Supporting Services:								
Administration Costs	629,664	-	-	629,664	783,351	-	-	783,351
Total Expenses	5,396,132	-	-	5,396,132	4,693,581	-	-	4,693,581
Net Increase in Net Assets	86,805	-	-	86,805	(247,431)	-	-	(247,431)
Net Assets, October 1	3,265,172	-	-	3,265,172	3,512,603	-	-	3,512,603
Prior Period Adjustment	-	-	-	-	-	-	-	-
Net Assets, September 30	\$ 3,351,977	\$ -	\$ -	\$ 3,351,977	\$ 3,265,172	\$ -	\$ -	\$ 3,265,172

The accompanying notes are an integral part of this financial statement.

TEXOMA AREA PARATRANSIT SYSTEM, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 86,805	\$ (247,429)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	783,638	688,396
Changes in operating assets and liabilities:		
(Increase) Decrease in Accounts receivable	(312,940)	(184,744)
Increase (Decrease) in Accounts payable	406,280	74,238
Increase (Decrease) in Accrued liabilities	(22,581)	(46,567)
Increase (Decrease) in Other liabilities	46,688	33,374
Increase (Decrease) in Compensated absences	(19,363)	(1,423)
Net Cash Provided (used) by Operating Activities	<u>968,527</u>	<u>315,845</u>
Cash Flow from Investing Activities		
Gain on sale of vehicles	(39,840)	(17,695)
Purchase of fixed assets	(878,693)	(449,348)
Net Cash Provided (Used) by Investing Activities	<u>(918,533)</u>	<u>(467,043)</u>
Cash Flow from Financing Activities		
Note proceeds	-	99,994
Payments on Line of Credit	(49,994)	(60,000)
Net Cash Provided (Used) by Financing Activities	<u>(49,994)</u>	<u>39,994</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	(111,204)
Cash and Cash Equivalents at Beginning of Year	-	111,204
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ -</u>
Supplemental Cash Flow Information:		
Non-cash contribution received: In-kind	<u>\$ 129,313</u>	<u>\$ 134,908</u>
Interest Expense	<u>\$ 1,365</u>	<u>\$ 614</u>

The accompanying notes are an integral part of this financial statement.

TEXOMA AREA PARATRANSIT SYSTEM, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

Expenses	Program Services	Administrative Expenses	Total 2012	Total 2011
Salaries and Employee Benefits	\$ 401,129	\$ 60,437	\$ 461,566	\$ 2,030,225
Vehicle Expenses	1,253,070	-	1,253,070	1,141,241
Center Maintenance	242,021	50,152	292,173	305,343
Communications	156,106	21,960	178,066	55,263
Human Resources	1,929,684	229,671	2,159,355	169,415
Travel	-	30,155	30,155	21,743
Supplies	6,925	6,926	13,851	11,864
Utilities	62,930	62,930	125,860	106,642
Insurance	-	6,397	6,397	5,295
Professional Fees	-	43,360	43,360	135,964
Marketing	-	23,404	23,404	14,949
Other Operating Costs	9,329	15,908	25,237	7,241
Expenses before Depreciation	<u>4,061,194</u>	<u>551,300</u>	<u>4,612,494</u>	<u>4,005,185</u>
Depreciation	<u>705,274</u>	<u>78,364</u>	<u>783,638</u>	<u>688,396</u>
Total Functional Expenses	<u>\$ 4,766,468</u>	<u>\$ 629,664</u>	<u>\$ 5,396,132</u>	<u>\$ 4,693,581</u>

The accompanying notes are an integral part of this financial statement.

TEXOMA AREA PARATRANSIT SYSTEM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE A - FINANCIAL REPORTING ENTITY

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. Although TAPS meets the requirements of the Act, it operates as a nonprofit corporation, but retains the option to elect to implement the act and operate as a rural transit district by action of its Board of Directors.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of TAPS and changes therein are classified and reported as follows:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations are classified as unrestricted. These may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets - support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. Donor restricted support that will be met either by action of TAPS and/or the passage of time, are classified as an increase in temporarily restricted net assets. When restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by TAPS are classified as permanently restricted.

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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. All cash and cash equivalents are covered by Federal Deposit Insurance Corporation "(FDIC)".

Receivables

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 either September 30, 2012 or 2011.

TEXOMA AREA PARATRANSIT SYSTEM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Equipment and Depreciation

Expenditures for property and equipment are recorded at cost. TAPS defines capital assets as those with a useful life exceeding five years. Donations of land, buildings, and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. TAPS does not have any restricted donations at the end of the current period.

Capital assets are defined as those with an individual cost of \$5,000 or more and a useful life exceeding three years. Property and equipment are being depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	40 years
Furniture, fixtures & equip	5-7 years
Vehicles	5 years

Leasehold improvements are depreciated over the applicable lease term.

Impairment of Long-Lived Assets

Management evaluates its long-lived 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. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.

Comparative Prior Year Information

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation of the current year financial statements.

Revenue Recognition

Grants - Support received under grant contract agreements with various federal and state agencies are recorded as revenue when the related costs are incurred. Grant amounts receivable at September 30, 2012 and 2011 represent amounts due for expenses incurred prior to the respective fiscal year-end.

Contributions - Contributions received from the public, corporations, intercounty agencies, and local governments are recognized as support when received and are reported as unrestricted net assets.

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 donation.

Contributed Services

Necessary services donated by persons with specialized skills are reported as unrestricted support at the fair market value of those services during the period the services are provided. These services are reported as in-kind donations. The amount of in-kind donations recognized in 2012 was \$129,213 and the amount for 2011 was \$134,908.

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.

TEXOMA AREA PARATRANSIT SYSTEM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Accrued compensated absences - TAPS' employees earn 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-rate share for those working 30 or more hours per week. Sick leave is accrued at the rate of one day per month. Vacation leave is accrued annually based on length of service at rates ranging from 5 - 20 days. The maximum amount of vacation and sick leave that can be earned is 200 hours and 264 hours, respectively. Sick leave is not vested and unused hours are forfeited upon termination of service. Accumulated unused vacation is fully vested and is paid upon termination of service and the liability has been recorded in the accompanying financial statements.

Line of Credit

TAPS has an unsecured line of credit of \$50,000 with American Bank of Texas. The balance owed on this line of credit was \$0 for 2012 and \$49,994 for 2011. Interest is at a variable rate, based on an independent index, but never less than 6%.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Retirement plan

TAPS cancelled their 401k plan effective November 30, 2011.

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, although management expects such amounts, if any, to be immaterial.

Donated Facilities

TAPS occupied several offices in the various counties it serves in prior years and did not pay occupancy costs for the use of these facilities. Management chose not to record these as contributed services. There is no net effect on the financial statements; however in-kind donations inflows and outflows are understated by the market value of rent estimated to be \$94,800.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and the supporting services benefitted.

TEXOMA AREA PARATRANSIT SYSTEM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE C - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment and the related accumulated depreciation as of September 30, 2012:

	Balances 9/30/2011	Additions	Decreases	Balances 9/30/2012
Capital assets not being depreciated				
Land	\$ 211,780	\$ -	\$ -	\$ 211,780
Construction in progress	34,742	14,850	(35,151)	14,441
Total capital assets not being depreciated	<u>246,522</u>	<u>14,850</u>	<u>(35,151)</u>	<u>226,221</u>
Capital assets being depreciated:				
Buildings and Improvements	1,508,842	34,615	-	1,543,457
Leasehold Improvements	200,735	-	-	200,735
Machinery & Equipment	557,565	69,931	(413,953)	213,543
Software	-	191,864	-	191,864
Vehicles	3,433,552	679,844	(960,671)	3,152,725
Total capital assets being depreciated:	<u>5,700,694</u>	<u>976,254</u>	<u>(1,374,624)</u>	<u>5,302,324</u>
Total fixed assets	<u>5,947,216</u>	<u>991,104</u>	<u>(1,409,775)</u>	<u>5,528,545</u>
Less accumulated depreciation for:				
Buildings and Improvements	(374,816)	(44,064)	-	(418,880)
Leasehold Improvements	(91,327)	(10,037)	-	(101,364)
Machinery & Equipment	(408,895)	(129,710)	396,125.00	(142,480)
Software	-	(2,242)	-	(2,242)
Vehicles	(1,882,133)	(597,586)	941,078	(1,538,641)
Total accumulated depreciation	<u>(2,757,171)</u>	<u>(783,639)</u>	<u>1,337,203</u>	<u>(2,203,607)</u>
Total capital assets being depreciated, net	<u>2,943,523</u>	<u>192,615</u>	<u>(2,711,827)</u>	<u>3,098,717</u>
Capital assets, net of depreciation	<u>\$ 3,190,045</u>	<u>\$ 207,465</u>	<u>\$ (2,746,978)</u>	<u>\$ 3,324,938</u>

The following is a summary of property and equipment and the related accumulated depreciation as of September 30, 2011:

	Balances 9/30/2010	Additions	Decreases	Balances 9/30/2011
Capital Assets not being depreciated				
Land	\$ 211,780	\$ -	\$ -	\$ 211,780
Construction in progress	4,639	34,742	(4,639)	34,742
Total capital assets not being depreciated	<u>216,419</u>	<u>34,742</u>	<u>(4,639)</u>	<u>246,522</u>
Capital assets being depreciated:				
Buildings and improvements	1,504,203	4,639	-	1,508,842
Leasehold improvements	200,735	-	-	200,735
Machinery & Equipment	548,174	9,391	-	557,565
Vehicles	3,482,293	446,627	(495,368)	3,433,552
Total capital assets being depreciated:	<u>5,735,405</u>	<u>460,657</u>	<u>(495,368)</u>	<u>5,700,694</u>
Total fixed assets	<u>\$ 5,951,824</u>	<u>\$ 495,399</u>	<u>\$ (500,007)</u>	<u>\$ 5,947,216</u>

TEXOMA AREA PARATRANSIT SYSTEM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE C - PROPERTY AND EQUIPMENT (continued)

	Balances 9/30/2010	Additions	Decreases	Balances 9/30/2011
Less accumulated depreciation for:				
Buildings and improvements	\$ (334,406)	\$ (40,410)	\$ -	\$ (374,816)
Leasehold improvements	(81,290)	(10,037)	-	(91,327)
Machinery & equipment	(272,555)	(136,340)	-	(408,895)
Vehicles	(1,852,175)	(501,610)	471,652	(1,882,133)
Total accumulated depreciation	<u>(2,540,426)</u>	<u>(688,397)</u>	<u>471,652</u>	<u>(2,757,171)</u>
Total capital assets being depreciated, net	3,194,979	(227,740)	(23,716)	2,943,523
Capital assets, net of depreciation	<u>\$ 3,411,398</u>	<u>\$ (192,998)</u>	<u>\$ (28,355)</u>	<u>\$ 3,190,045</u>

TxDot Liens

Liens assigned to the Texas Department of Transportation ("TxDot") have been placed on the title of rolling stock purchases made by funds from TxDot grants.

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable due from contracting agencies were as follows:

	September 30,	
	2012	2011
Transit customers receivables	\$ 30,596	\$ 89,781
Texas Department of Transportation Grant	708,873	336,748
Total	<u>\$ 739,469</u>	<u>\$ 426,529</u>

NOTE E - FEDERAL AND STATE FINANCIAL ASSISTANCE

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

	September 30, 2012		
	Federal	State	Total
Federal Transit Administration	\$ 1,566,875	\$ -	\$ 1,566,875
Texas Department of Transportation	1,745,944	706,892	2,452,836
TOTAL	<u>\$ 3,312,819</u>	<u>\$ 706,892</u>	<u>\$ 4,019,711</u>

	September 30, 2011		
	Federal	State	Total
Texoma Council of Governments	\$ 402,418	\$ -	\$ 402,418
Federal Transit Administration	617,412	-	617,412
Texas Department of Transportation	1,123,467	791,762	1,915,229
	<u>\$ 2,143,297</u>	<u>\$ 791,762</u>	<u>\$ 2,935,059</u>

NOTE F - LEASES

TAPS leases real property on a month-to-month basis for \$700 per month.

Operating Lease - The entity leases a copier from RICOH to provide equipment for the printing, copying, faxing and scanning needs of the entity during daily operation. The total cost of the copier lease was \$9,360 for the fiscal year. The City also leases a postage machine from Pitney Bowes. The total cost for the postage machine lease was \$1,025 for the fiscal year. The future minimum lease payments for these leases are as follows:

TEXOMA AREA PARATRANSIT SYSTEM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE F - LEASES (continued)

<u>Year ending September 30,</u>	<u>Copier</u>	<u>Postage Machine</u>	<u>Total</u>
2013	\$ 3,480	\$ 539	\$ 4,019
2014	3,480	-	3,480
2015	1,160	-	1,160
Totals	\$ 8,120	\$ 539	\$ 8,659

NOTE G - ECONOMIC DEPENDENCY

TAPS receives a majority of its revenue through federal and state grants and contracts with the North Central Council of Governments, the Texas Department of Human Services, and the Texas Department of Transportation. In addition, the largest portion of TAPS' receivables are due from these programs (see Note D). TAPS is economically dependent on these revenues as they comprise more than 73% of total funding received.

NOTE H - SALARIES

As of October 1, 2011, many of the TAPS employees were transferred to a transit management company called Transit Management of Sherman, Inc. ("TMS"). These employees were transferred based on legal union issues and are no longer employees of TAPS, but are now subcontracted through TMS. This explains the large difference in salaries and human resources when comparing 2011 to 2012 on page 4.

NOTE I - LITIGATION

TAPS is party to certain litigation arising in the ordinary course of its operations. Management does not foresee any significant potential loss with the ongoing litigation.

NOTE J - SUBSEQUENT EVENTS

TAPS has evaluated all events or transactions that have occurred after September 30, 2012 up through January 2, 2014, which is the date the financial statements were available to be issued. Management noted the following subsequent events requiring disclosure:

- The State of Goods repair contract was received in January 2013.
- On July 1, 2013, \$600,000 was received from the City of McKinney to begin servicing that area.
- Received Collin County JARC funding in the amount of \$937,000 from Tx Dot on August 1, 2013.

SINGLE AUDIT
(As Reissued)



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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

January 2, 2014

To the Directors of
Texoma Area Paratransit System, Inc.

Members of the Board:

We have audited the financial statements of the Texoma Area Paratransit System, Inc. ("TAPS") as of and for the year ended September 30, 2012, and have issued our report thereon dated January 2, 2014. We conducted our audit 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.

Internal Control over Financial Reporting

Management of Texoma Area Paratransit System, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered TAPS' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TAPS' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of TAPS' internal control over financial reporting.

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 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.

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A significant deficiency is a deficiency, or 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. We considered the following deficiencies in internal control to be significant deficiencies:

Client has not maintained proper separation between themselves and subcontractor company, Transit Management of Sherman.

Expenses for subcontractor services were over budget by \$420,868. Budgets were not followed, nor were they amended.

Client does not record donated assets in a manner consistent with GAAP.

Client could not provide a report that accurately reflects the compensated absences liability as of September 30, 2012.

Management did not supply critical information in a timely fashion.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and other Matters

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

We noted certain matters that were reported to the management of TAPS in a separate letter dated January 2, 2014.

This report is intended solely for the information and use of management, others within the entity, the Board, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

January 2, 2014, except for additional testing and findings described in the paragraph below in Compliance and Other Matters, as to which date is February 26, 2014

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

Compliance and Other Matters

We have audited Texoma Area Paratransit System, Inc.'s ("TAPS") compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2012. TAPS' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of TAPS' management. Our responsibility is to express an opinion on TAPS' compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the State of Texas Single Audit Circular. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about TAPS' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on TAPS' compliance with those requirements.

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We revised the Schedule of Findings and Questioned Costs and performed additional audit testing to obtain sufficient appropriate audit evidence on one major program for the Federal Transit Administration, CFDA 20.507, Grant Contract TX-90-X979-00 of the accompanying Schedule of Expenditures of Federal and State Awards, for the year ended September 30, 2012, and removed Finding 2012-11 of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2012. The audit work was completed on February 26, 2014 which resulted in the dual-dating of our report.

In our opinion, TAPS' complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal or state programs for the year ended September 30, 2012.

Internal Control over Compliance

Management of TAPS is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered TAPS' internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the TAPS' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of 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 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. We found no deficiencies in internal control over compliance that would be considered a material deficiency.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control over compliance to be significant deficiencies:

The single audit is substantially late being issued.

Client was not able to provide a list of eligible project activities for a specific draw down of grant funds.

Invoices cannot be traced back to specific reimbursement requests based on invoice spreadsheets maintained by client.

A reimbursement request to the Texas Department of Transportation, Program 5310, Contract 201F7173, was calculated incorrectly, resulting in a grant overpayment of \$8,539.

Client failed to file annual reports required under FTA Grant TX-04-0093-00.

Our consideration of internal control over financial reporting was for the limited purpose as described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

CONWAY COMPANY CPAs, P.C.

Conway Company CPAs, P.C.

**TEXOMA AREA PARATRANSIT SYSTEM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (As Reissued)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Section I. Summary of Auditors' Results:

Financial Statements

1. Type of auditors' report issued on the financial statements Unqualified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ Yes X No
- Deficiencies identified that are not considered to be material weakness(es)? X Yes _____ No
3. Noncompliance material to financial statements noted? _____ Yes X No

Federal and State Awards

4. Internal controls over major program:
- Material weakness(es) identified? _____ Yes X No
- Deficiencies identified that are not considered to be material weakness(es)? X Yes _____ No
5. Type of auditors' report compliance for major program Unqualified
6. Did the audit disclose findings that are required to be reported under Sec. 501(a)? X Yes _____ No

7. Major programs include:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Federal Transit Administration	20.507, 20.500 (cluster)
Federal Transit Administration	20.509
<u>Name of State Program</u>	<u>Program</u>
Texas Department of Transportation	5307
Texas Department of Transportation	5311

8. Dollar Threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as low-risk auditee: _____ Yes X No

**TEXOMA AREA PARATRANSIT SYSTEM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (As Reissued)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Section II. Financial Statement Findings

- 2012-01 Management did not supply critical information in a timely fashion.**
- Criteria: Timely reporting is a requirement for continued Federal and State grant compliance.
- Condition: Management did not prepare financial records for the audit in a timely fashion.
- Effect: Federal and state reporting deadlines were not met.
- Cause: Management was not readily available for audit requests.
- Recommendation: Management should coordinate with auditors to provide timely reporting.
- Corrective Action: Management will work closely with audit firm for timely grant compliance.
- 2012-02 Client has not maintained proper separation between themselves and subcontractor company, Transit Management of Sherman ("TMS").**
- Criteria: TAPs is a nonprofit corporation with no subsidiaries and should not use another company for payment of expenditures, even in a reimbursement capacity.
- Condition: TMS paid health insurance for TAPs employees for a short amount of time while TAPs was trying to get qualified for TML coverage.
- Effect: TAPS did not maintain expenses for TMS and TAPS employees separately.
- Cause: Management allowed this arrangement for a short period of time to benefit the employees.
- Recommendation: TAPs should keep their operations separate from those of TMS.
- Corrective Action: TAPs will keep proper segregation between themselves and TMS.
- 2012-03 Expenses for subcontractor services were over budget by \$420,868. Budgets were not followed, nor were they amended.**
- Criteria: Budgets that are legally adopted by the board should be followed, monitored, and amended as needed.
- Condition: TAPs paid more than was budgeted by the board on subcontractor services.
- Effect: Material overages were not approved by the board.
- Cause: Budget amendment was not sought when expenses went over approved amounts.
- Recommendation: The budget should be monitored consistently so that board approval can be sought on material overages.
- Corrective Action: TAPs will monitor the budget closely and see board approval for budget amendments.

**TEXOMA AREA PARATRANSIT SYSTEM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (As Reissued)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

2012-04	Client does not record donated assets in a manner consistent with GAAP.
Criteria:	Donated assets are to be booked at fair market value as of the date of donation.
Condition:	TAPs booked donated assets using the book value less accumulated depreciation taken from the records of the donor.
Effect:	Net fixed assets could be materially misstated.
Cause:	Donated assets were not booked at fair market value as of the date of donation.
Recommendation:	All donated assets should be booked at fair market value as of date of donation.
Corrective Action:	TAPs will book future donated assets at fair market value.
2012-05	Client could not provide a report that accurately reflects the compensated absence liability as of year end.
Criteria:	Client must be able to provide valid backup documentation for compensated absences.
Condition:	Compensated absences cannot be proven accurate without the backup documentation provided by a system report.
Effect:	Compensated absences had to be recreated by auditors, and a system comparison was not available.
Cause:	Reports were not available from TAPs general ledger system.
Recommendation:	Compensated absences should be compared regularly to system payroll reports and a reconciliation should be performed consistently and kept on record.
Corrective Action:	TAPs will consistently perform a system comparison to the general ledger and retain records concerning compensated absences.

Section III. Federal Award Findings and Questioned Costs:

2012-06	Failure to file annual statements with the Federal Clearinghouse
Criteria:	OMB Circular A-133, Section .320 requires that the Auditee submit its data collection form and reporting package within the earlier of 30 days from receiving the auditor's report or nine months after the end of the audit period.
Condition:	Untimely filing prevents all pertinent regulatory agencies from promptly reviewing the financial statement data.
Effect:	No monetary or financial statement effect.
Cause:	Audits have not been timely completed.
Recommendation:	All reports should be filed in a timely basis with the Federal Clearinghouse.
Corrective Action:	Management will ensure that timely reports will be filed with the Federal Clearinghouse.

**TEXOMA AREA PARATRANSIT SYSTEM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (As Reissued)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

- 2012-07** **Client was not able to provide a list of eligible project activities for a specific draw request of grant funds.**
- Criteria: Project activities should be easily traceable through grant requests and other grant backup.
- Condition: Client was unable to provide a list of projects when questioned about specific draw requests on grant funds.
- Effect: Projects activities cannot be identified through grant draw requests.
- Cause: Procedures and policies regarding grant requests are not being followed.
- Recommendation: Client should be able to identify project activities associated with each grant draw request.
- Corrective Action: TAPs will monitor the grant draw request process and ensure that projects associated with each draw are easily identified.
-
- 2012-08** **Invoices cannot be traced back to specific reimbursement requests based on invoice spreadsheets maintained by TAPs.**
- Criteria: Invoices paid by grant funds should be easily traceable to backup documentation for specific reimbursement requests.
- Condition: Invoice spreadsheet backup available from client was not readily traceable to grant reimbursement requests.
- Effect: Grant backup documentation cannot be easily traced to individual receipts requested on each reimbursement request.
- Cause: Client spreadsheet does not allow for invoices to be traced to individual grant reimbursement requests.
- Recommendation: Client backup documentation should allow for easily obtained information to trace the invoices to the reimbursement requests.
- Corrective Action: TAPs will review procedures for maintaining information on each grant and make changes necessary to allow for tracing of invoices to individual grant requests.
-
- 2012-09** **A reimbursement request to the Texas Department of Transportation, Program 5310, Contract 201F7173, was calculated incorrectly, resulting in an overpayment.**
- Criteria: Reimbursement requests should be mathematically correct, ensuring the correct grant funds are requested.
- Condition: Reimbursement request was incorrectly submitted to Texas Department of Transportation.
- Effect: Grant funds were overpaid in the amount of \$8,539.
- Cause: Clients' spreadsheet was calculating incorrectly for reimbursement requests.
- Recommendation: Procedures should be in place so that each request is reviewed by more than one person for accuracy in completion.
- Corrective Action: TAPS will review procedures of oversight on grant reimbursement documents.

**TEXOMA AREA PARATRANSIT SYSTEM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (As Reissued)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

2012-10 **Client failed to file annual reports required under FTA Grant TX-04-0093-00.**

Criteria: Per FTA Circular C 5010.1D, 11/01/08 Rev. 8/27/12, Grant Management Requirements, a grantee must submit a Federal Financial Report and, in some cases, a Milestone Progress Report annually by October 30.

Condition: Reports were not filed with FTA.

Effect: Client is out of compliance with reporting requirements for FTA Grant TX-04-0093-00.

Cause: Client did not file required reports with FTA.

Recommendation: Management should ensure that reporting requirements are met in a timely fashion.

Corrective Action: Management will ensure that reporting requirements are met in a timely fashion.

**TEXOMA AREA PARATRANSIT SYSTEM, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
SEPTEMBER 30, 2012**

Finding/Recommendation

- 2011-01** Management did not supply critical information in a timely fashion.
- 2011-02** Full backup was not available for credit card statements that were selected for testing.
- 2011-03** Several paychecks did not match wage and/or salary calculations found in personnel files. Many did not have supervisor approval.
- 2011-04** Failure to file annual statements with the Federal Clearinghouse.
- 2011-05** Client was unable to find signed copies of pertinent documents for grant backup in several instances.

Current Status

- 2011-01** Reported as a finding for September 30, 2012.
- 2011-02** This issue was not noted in September 30, 2012.
- 2011-03** TAPs will review the status of personnel files and maintain proper information.
- 2011-04** Reported as a finding for September 30, 2012.
- 2011-05** This issue was not noted in September 30, 2012.

Management Explanation
If Not Implemented

- 2011-01** Little time has lapsed between the completion of 2011 and 2012 audits.
- 2011-04** Little time has lapsed between the completion of 2011 and 2012 audits.

Texoma Area Paratransit System, Inc.
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2012

Grantor Pass-Through Grantor Program Title	Federal CFDA Number	USC Number	Grantor Contract Number	Funds Expended
Federal Awards Expended				
Federal Transit Cluster				
Federal Transit Administration				
Urbanized Area Formula Program	20.507	5307	TX-90-X922-00	\$ 936,388
Urbanized Area Formula Program	20.507	5307	TX-90-X979-00	349,770
Urbanized Area Formula Program		5307	201F7061	73,699
Urbanized Area Formula Program	20.507	5309	TX-04-0093-00	207,018
Federal Transit Administration Passed through Texas Department of Transportation				
VCR Grant 042	20.500	5309	51101F7167	469,460
Total Federal Transit Cluster				<u>2,036,335</u>
Federal Transit Administration Passed through Texas Department of Transportation				
Transit Services Programs Cluster				
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	5310	201F7173	49,772
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	5310	101F7267	99,811
Job Access - Reverse Commute	20.516	5316	101F7116	19,062
New Freedom Program	20.521	5317	101F7093	19,062
Total Transit Services Programs Cluster				<u>187,708</u>
Formula Grants for Other than Urbanized Areas	20.509	5311	201F7233	688,756
Formula Grants for Other than Urbanized Areas	20.509	5311	101F7210	271,510
Job Access - Reverse Commute	20.509	5311	001F7333	3,898
Formula Grants for Other than Urbanized Areas	20.509	5311	12-002	396
Formula Grants for Other than Urbanized Areas	20.509	5311	12-0054	527
Formula Grants for Other than Urbanized Areas	20.509	5311	12-0057	897
Formula Grants for Other than Urbanized Areas	20.509	5311	12-0075	350
Formula Grants for Other than Urbanized Areas	20.509	5311	12-0130	425
Formula Grants for Other than Urbanized Areas	20.509	5311	12-P11	320
Formula Grants for Other than Urbanized Areas	20.509	5311	101F7104	25,550
Formula Grants for Other than Urbanized Areas	20.509	5311	201F7036	73,252
Subtotal				<u>1,065,881</u>
Public Transportation Research	20.514	5323	151F7145	22,896
Subtotal				<u>22,896</u>
Total Federal Awards Expended				<u>3,312,819</u>

(continued)

See accompanying notes to schedule.

Texoma Area Paratransit System, Inc.
 Schedule of Expenditures of Federal and State Awards
 Year Ended September 30, 2012

Grantor Pass-Through Grantor Program Title	Federal CFDA Number	USC Number	Grantor Contract Number	Funds Expended
State Awards Expended				
Texas Department of Transportation				
State Rural Transportation Grant		5311	001F7035	492,617
State Urban Transportation Grant		5307	201F7060	214,275
Total State Awards Expended				<u>706,892</u>
Total Federal and State Awards Expended				<u>\$ 4,019,711</u>

See accompanying notes to schedule.

TEXOMA AREA PARATRANSIT SYSTEM, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (As Reissued)

SEPTEMBER 30, 2012

A. General

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal and state financial assistance programs of Texoma Area Paratransit System, Inc. ("TAPS"). TAPS' reporting is defined in Note A to the basic financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included in the schedule.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget ("OMB") Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

C. Clusters

Federal and state awards expended under the same program were clustered together in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

D. Reissuing of the Single Audit Reports

During the original testing of Grant Contract Number TX-90-X979-00, sufficient backup was not provide to support a \$73,000 draw request. Subsequent to the date of the audit report, Taps was able to provide sufficient backup to support this draw request. Initially, a material deficiency listed as 2012-11 was reported. The reissuance of the Single Audit Reports removes the material deficiency based on the evidence provided by Taps. Based on these changes, a revised Schedule of Findings and Questioned Costs is presented and additional test work has been performed which resulted in dual-dating the audit report.



Michael Conway, CPA
Neil Conway, CPA

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January 2, 2014

Board of Directors
Texoma Area Paratransit System, Inc.
Sherman, Tx

We have audited the financial statements of the Texoma Area Paratransit System, Inc. as of and for the year ended September 30, 2012, and have issued our report thereon dated January 2, 2014. Professional standards require that we advise you of the following matters relating to our audit.

Our responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 1, 2013 our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

1. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.
2. As part of our audit, we considered the internal control of the Texoma Area Paratransit System, Inc. Such considerations were solely for the purpose of determining our audit procedures and not for the purpose of expressing an opinion on the effectiveness of the Texoma Area Paratransit System, Inc.'s internal control over financial reporting.
3. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Other information in documents containing audited financial statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Texoma Area Paratransit System, Inc.'s audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

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Planned scope and timing of the audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you in our engagement letter dated November 1, 2013.

Significant audit findings***Qualitative aspects of accounting practices***

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Texoma Area Paratransit System, Inc. is included in Note B to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2012.

We noted no transactions entered into by the Texoma Area Paratransit System, Inc. during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management's judgments. The most sensitive estimate affecting the financial statements was the estimate of useful lives for depreciation. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties encountered in performing the audit

We encountered difficulties in dealing with management in performing and completing our audit. Management did not supply critical information in a timely fashion.

Corrected and uncorrected misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or other audit matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management representations

We have requested certain written representations from management, which are included in the attached letter dated January 2, 2014.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters other than those in the ordinary course of business with the outside accounting firm that performs monthly bookkeeping, payroll processing and accounting services for the Center.

Other audit findings or issues

In the normal course of our professional association with the Texoma Area Paratransit System, Inc., we generally discuss a variety of other matters, including the application of accounting principles and auditing standards, business conditions affecting the Texoma Area Paratransit System, Inc., and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Texoma Area Paratransit System, Inc.'s auditors.

This report is intended solely for the information and use of the Texoma Area Paratransit System, Inc. Board of Directors and management of the Texoma Area Paratransit System, Inc. and is not intended to be and should not be used by anyone other than those specified parties.

Respectfully Submitted,

CONWAY COMPANY CPAs, P.C.

Conway Company CPAs, P.C.

INTERNAL REVENUE SERVICE
DISTRICT DIRECTOR
1100 COMMERCE STREET
DALLAS, TX 75242-0000

DEPARTMENT OF THE TREASURY

Date: **MAR 28 1991**

TEXOMA AREA PARATRANSIT SYSTEM INC
130 SOUTH BURNETT
DENISON, TX 75020

Employer Identification Number:
75-2127267

Contact Person:
SHARI FLOWERS

Contact Telephone Number:
(214) 767-3526

Our Letter Dated:
December 3, 1986

Addendum Applies:
No

Dear Applicant:

This modifies our letter of the above date in which we stated that you would be treated as an organization which is not a private foundation until the expiration of your advance ruling period.

Your exempt status under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3) is still in effect. Based on the information you submitted, we have determined that you are not a private foundation within the meaning of section 509(a) of the code because you are an organization of the type described in section 509(a)(1) and 170(b)(1)(A)(vi).

Grantors and contributors may rely on this determination unless the Internal Revenue Service publishes notice to the contrary. However, if you lose your section 509(a)(1) status, a grantor or contributor may not rely on this determination if he or she was in part responsible for, or was aware of, the act or failure to act, or the substantial or material change on the part of the organization that resulted in your loss of such status, or if he or she acquired knowledge that the Internal Revenue Service had given notice that you would no longer be classified as a section 509(a)(1) organization.

If we have indicated in the heading of this letter that an addendum applies, the addendum enclosed is an integral part of this letter.

Because this letter could help resolve any questions about your private foundation status, please keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,



Gary O. Booth
District Director