

DENTON COUNTY TRANSPORTATION AUTHORITY

Financial Statements and Supplementary Information

Fiscal Year Ended September 30, 2005 and 2004

(With Independent Auditors' Report Thereon)

TABLE OF CONTENTS

Independent Auditor's Report.....	1
Management Discussion and Analysis	2
Statements of Net Assets	7
Statements of Revenue, Expenses and Changes in Net Assets.....	8
Statements of Cash Flows.....	9
Notes to Financial Statements.....	11
Supplementary Information	24

John E. Baines, P.C.

Certified Public Accountants

604 South Elm Street • Denton, TX 76201

Metro (972) 434-3811 or (940) 565-9015 • FAX (940) 382-9695

email: baines.pc@verizon.net • www.johnbainescpa.com

Independent Auditor's Report

Denton County Transportation Authority
1660 South Stemmons, Suite 250
Lewisville, Texas 75067

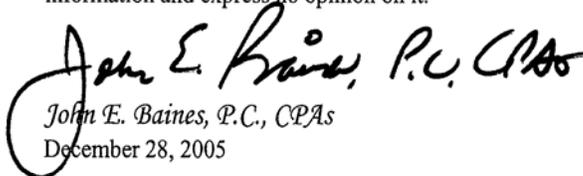
We have audited the accompanying statements of net assets of the Denton County Transportation Authority ("DCTA") as of and for years-ended September 30, 2005 and 2004 and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended, which collectively comprise DCTA's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of DCTA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the net assets of DCTA as of September 30, 2005 and 2004 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2005, on our consideration of DCTA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


John E. Baines, P.C., CPAs
December 28, 2005

Member of American Institute
of Certified Public
Accountants

Member Texas Society
of Certified Public
Accountants

Member of AICPA
Private Companies
Practice Section

Management Discussion and Analysis For the Year Ended September 30, 2005

The management of the Denton County Transportation Authority (“DCTA”) prepared this narrative overview and analysis of its financial activities for the fiscal year ended September 30, 2005. The information presented should be read in conjunction with the accompanying financial statements, applicable notes, and the additional information furnished in the letter of transmittal.

The Business

DCTA is a Coordinated County Transportation Authority granted powers under House Bill 3323 which was approved by the 77th Texas Legislature and signed into law in 2001. It is now codified as Chapter 460 of the Texas Transportation Code. The legislation required DCTA to develop a Service Plan, to outline the public transportation services that could be provided Denton County residents. Denton County residents confirmed DCTA November 5, 2002 by a county-wide vote. DCTA created the Service Plan, which was submitted to the voters in eight Denton County cities on September 13, 2003, for consideration and approval of a one-half percent sales and use tax. The Service Plan and associated sales tax was passed in three cities, Denton, Highland Village and Lewisville (“Participating Cities”). Collection of the sales tax began on January 1, 2004. DCTA provides planning, operations, funding, and management of the public transportation services in Denton County for the Participating Cities through sales and use tax receipts and other available revenues. Other non-participating cities in Denton County may choose to contract with DCTA for service, or to become a member by participating in a sales and use tax election with an additional payment of a capital recovery component.

Regional rail is the central element of the DCTA Service Plan to provide transit services to Denton County residents and a convenient connection to the Dallas Area Rapid Transit light rail services in Carrollton, Texas. At a minimum, it is DCTA’s intent to partner with the Dallas Area Rapid Transit (“DART”) to develop a seamless service for DCTA and DART riders.

DCTA is governed by a Board of Directors currently composed of fourteen members: one member from each municipality with a population of 12,000 or more (8); three members from the unincorporated area of Denton County; and three members designated by the remaining municipalities with a population of more than 500 and less than 12,000. Each Board member serves a term of two years, with a maximum of three consecutive terms. The Board is responsible for the general policy governance of the DCTA with the Executive Director and staff responsible for day-to-day management and implementation of the DCTA’s goals and objectives.

DCTA was a developmental stage entity in 2004. Fiscal year 2005 was the first year of operations and brought many changes to DCTA. The existing fleet of bus, paratransit vehicles and operating assets were acquired from the cities of Denton and Lewisville. The related vendor operations contracts were assigned to DCTA. Operating facilities were leased from the cities of Denton and Lewisville. Four new paratransit vehicles were put into service in Lewisville. In addition, two paratransit vehicles were ordered for Denton and twelve fixed route vehicles have been ordered and scheduled for manufacturing and delivery in March 2006.

Denton County Transportation Authority

Management Discussion and Analysis - continued
For the Year Ended September 30, 2005

DCTA continues to advance the plan to provide rail service to Denton County residents. In August 2004, DCTA began an Alternatives Analysis planning study to evaluate alignment and technology alternatives for the regional rail plan. On May 26, 2005 the DCTA Board of Directors voted to accept the consultant's technical recommendation for regional rail on the former Missouri-Kansas-Texas Railroad (MKT) line, which runs parallel to Interstate 35E as the locally preferred alternative for transportation improvements for the Denton, Highland Village, Lewisville, Carrollton corridor. The system will support riders from Denton, Texas Woman's University and the University of North Texas, and the Lewisville and Highland Village area. The next phase in the regional rail development is environmental documentation for National Environmental Policy Act compliance. The first phase of the project, planned to be operational late in 2010, is anticipated to provide rail service between Lewisville and a connection with DART's light rail service in Carrollton. The final project is expected to cover approximately 20 miles between the City of Denton and the DART connection. September 22, 2005 the Board authorized DCTA to enter into a contract for the next phase of the project and contract for an Environmental Impact Study and Preliminary Engineering ("EIS/PE") to start in November 2005. The EIS/PE phase will take approximately two years to complete with an estimated cost of \$7,607,876.

Fiscal Year 2004 Restatement

DCTA management has concluded that the Company's financial statements for the year ended September 30, 2004 should be restated and such previously issued financial statements should no longer be relied upon. Therefore, all references and comparisons to the 2004 financials in the accompanying financial statements will be to the restated financials. In accordance with SFAS No. 16, "Prior Period Adjustments," the fiscal year 2004 financial statements presented in the accompanying financials have been restated to reflect the correction of the accounting treatment for the Enhanced Local Assistance Program ("ELAP"). The restatement of the 2004 financial statements was required to properly match sales tax revenue with related expenses from ELAP projects and recognize the related liabilities in the statement of net assets. At fiscal year end 2004 DCTA was a developmental entity with a new program and major uncertainties as to the possible usage and type of projects that would be approved. Because the 2004 potential ELAP obligation was not certain it was classified as a temporarily restricted asset in the amount of \$2,030,175. Subsequent to issuing the fiscal year 2004 financial statements, management has determined that this accounting treatment overstated the 2004 statement of revenues, expenses and changes in net assets and understated the current and non-current liabilities. Therefore, management has restated the fiscal year 2004 financial statements to reflect an additional ELAP expense of \$2,030,175 and a current and non-current liability payable to the participating member cities.

ELAP is a mobility improvement program for participating member cities. It provides financial assistance for mobility projects approved by DCTA for a maximum period of four years. Funding is available to participating cities at an amount equal to twenty-five percent of the DCTA sales and use tax collections from the respective city. ELAP payments to participating cities in 2005 and 2004 were \$739,291 and \$209,706 respectively. In addition, DCTA has approved fiscal year 2006 mobility projects in Lewisville and Highland Village for approximately \$3,048,000 and is reviewing current

Denton County Transportation Authority

Management Discussion and Analysis - continued
For the Year Ended September 30, 2005

requests from Lewisville and Denton for an additional \$3,162,000. The ELAP projects have proven to be beneficial to the participating cities and management has determined liabilities should be recognized at the time the related sales tax is collected. See the accompanying note 2 (m) to the financial statements for the effects of the 2004 restatement.

Financial Highlights for 2005

Total assets of DCTA exceeded total liabilities by \$14,904,567 as of September 30, 2005. Of this amount approximately \$12,640,228 is unrestricted and may be used to meet DCTA's ongoing obligations in accordance with the fiscal policies.

Net assets increased \$8,943,144 in 2005, which compares to an increase of \$6,200,847 in 2004.

Net capital assets were \$2,264,339 as of September 30, 2005 compared to the balance at September 30, 2004 of \$18,292.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the DCTA's accompanying financial statements and notes. The basic financial statements consist of 1) the statement of net assets, 2) statement of revenues, expenses, and changes in net assets, 3) statement of cash flows, and 4) notes to the financial statements. The financial statements are prepared on the accrual basis of accounting meaning that all expenses are recorded when incurred and all revenues are recognized when earned in accordance with accounting principles generally accepted in the United States of America. Certain statements in the report are, or will be, forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements.

The DCTA's activities are accounted for in a single enterprise fund; therefore, government-wide financial statements are not presented. Enterprise funds are generally used to report business-type activities of governmental entities.

Statement of Net Assets

The statement of net assets reports all of the financial and capital resources of DCTA. The statement is presented in the format where assets equal liabilities plus net assets. Assets and liabilities are presented in order of liquidity and are classified as current (convertible into cash within one year) and non-current. The focus of the statement of net assets is to show a picture of the liquidity and health of the organization as of the end of the reporting period. Changes in net assets may serve as an indication of whether the financial position of the DCTA is improving or deteriorating.

Denton County Transportation Authority

Management Discussion and Analysis - continued
For the Year Ended September 30, 2005

Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets is similar to an income statement. This statement includes operating revenues, such as bus passenger fares and contracts to provide transit related service to third parties; operating expenses, such as costs of operating the transit system, administrative expenses, and depreciation on capital assets; and non-operating revenue and expenses, such as sales tax revenue, grant revenue, and interest income. The focus of the statement of revenues, expenses, and changes in net assets is the change in net assets.

Statement of Cash Flows

The statement of cash flows discloses net cash provided by or used for operating activities, investing activities, noncapital financing activities, and from capital and related financing activities. This statement also portrays the health of DCTA in that the current cash flows are sufficient to pay current liabilities.

Notes to Financial Statements

The notes to the financial statements are an integral part of the basic financial statements that describe the significant accounting policies and provide additional information that is essential to understanding the data provided in the financial statements.

Financial Analysis of DCTA's Statement of Net Assets

Assets: During fiscal year 2005, DCTA's current assets increased \$10,141,470 or 126%. The increase is primarily due to increases in investments and receivables of \$11,613,046 and \$583,639 respectively. These increases were partially offset by a decrease in cash and cash equivalents of \$2,112,712.

Property, Plant and Equipment increased due to the acquisition of 25 buses, 17 paratransit vehicles, and miscellaneous operating equipment from the Cities of Lewisville and Denton valued at \$2,810,624 and an increase in office furniture and equipment net of retirements of \$54,780. DCTA made cash payments to the Participating Cities for their unamortized local share of \$366,761 and accrued an additional \$44,372 for the local share of four new paratransit vehicles received in September. The City of Denton also conveyed an additional local share of \$371,317 for contributed capital assets to DCTA. In addition to the cash payments, accrued payable, and capital conveyed; DCTA assumed the related federal and state grant obligations with an unamortized value of \$2,028,175.

Liabilities: Current liabilities increased \$4,158,214 primarily due to increased operating activities and current liabilities related to ELAP liabilities. DCTA's current ratio, current assets of \$18,200,620 over current liabilities of \$4,379,058, was 4:1 as of September 30, 2005. DCTA has not formally restricted cash funds to pay current liabilities, but has adequate cash and investments to satisfy these obligations.

Non-current liabilities decreased \$713,841 due to the planned increase in the use of ELAP funds by the participating member cities in the next year.

Denton County Transportation Authority

Management Discussion and Analysis - continued
For the Year Ended September 30, 2005

Financial Analysis of DCTA's Statement of Revenues, Expenses, and Changes in Net Assets

Operating Revenues: DCTA operating revenues for fiscal year 2005 increased \$1,612,605 over 2004 as DCTA completed its first year as an operating entity. In fiscal year 2004 DCTA was a developmental entity and recognized no operating revenue in the reporting period. DCTA primary operating revenue for 2005 was derived from contract services provided to the University of North Texas ("UNT") and passenger revenues.

Operating Expenses: Operating expenses increased \$5,415,643 in 2005. The increased expense was primarily due to the following increases: in salary and wages for the increased staff, \$235,886; in service expense for the Alternative Analysis Study and various operating and developmental consulting cost, \$792,268; in purchased transportation services for contracted transit operations, \$3,652,986; and in depreciation, \$616,442.

Non-operating Revenue and Expenses: Non-operating revenue and expenses increased \$6,174,018 in 2005. The increase in non-operating revenue was primarily due to the increase in grant revenue \$2,339,832, investment income \$292,516 and sales tax revenue net of ELAP expense of \$3,544,126.

Capital Contributions: DCTA received 15 buses in the acquisition of assets from the City of Denton, for which the local share related to the purchase of the assets was conveyed to DCTA. The local share for the original purchase of these assets was contributed to the city of Denton by the University of North Texas. The value of the unamortized local share conveyed to DCTA was \$371,317, which is included in net assets, and the related federal grant obligation, included in Transit System Operating Grants on the Statements of Revenues, Expenses and Changes in Net Assets, assumed by DCTA was \$1,292,992.

Debt Administration

As of September 30, 2005, DCTA had not incurred any debt.

Requests for Information

The financial report is designed to provide the citizens of our member cities, customers and other interested parties with a general overview of DCTA finances. If you have any questions regarding this report or need any additional information, contact the DCTA at 1660 S. Stemmons Freeway, Suite 250, Lewisville, Texas 75067, by phone at (972) 221-4600, or by electronic mail at info@dcta.net.

Denton County Transportation Authority
Statements of Net Assets
September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u> <u>Restated</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 2,187,480	\$ 4,300,192
Investments	13,175,253	1,562,207
Receivables	2,776,428	2,192,789
Prepaid Expenses	61,459	3,962
Total Current Assets	<u>18,200,620</u>	<u>8,059,150</u>
Property, Plant, and Equipment, Net of Accumulated Depreciation	<u>2,264,339</u>	<u>18,292</u>
Total Assets	<u><u>\$ 20,464,959</u></u>	<u><u>\$ 8,077,442</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 518,521	\$ 77,760
Accrued Payroll and Payroll Related Taxes	9,782	8,084
Other Accrued Liabilities	298,280	-
Enhanced Local Assistance Program - Current	3,530,808	135,000
Deferred Contract Revenue	21,667	-
Total Current Liabilities	<u>4,379,058</u>	<u>220,844</u>
Non-current Liabilities		
Enhanced Local Assistance Program - Non-current	<u>1,181,334</u>	<u>1,895,175</u>
Total Non-current Liabilities	<u>1,181,334</u>	<u>1,895,175</u>
Net Assets		
Invested in Capital Assets	2,264,339	18,292
Unrestricted	12,640,228	5,943,131
Total Net Assets	<u>14,904,567</u>	<u>5,961,423</u>
Total Liabilities and Net Assets	<u><u>\$ 20,464,959</u></u>	<u><u>\$ 8,077,442</u></u>

See accompanying notes to financial statements.

Denton County Transportation Authority
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2005 and 2004

	2005	2004 Restated
Operating Revenues		
Passenger Revenue	\$ 198,391	\$ -
Contract Services	1,408,917	-
Other	5,297	-
	1,612,605	-
 Operating Expenses		
Salaries, Wages and Fringe Benefits	296,949	61,063
Services	1,160,717	368,449
Materials and Supplies	22,585	14,373
Utilities	6,865	-
Insurance	2,552	-
Purchased Transportation Services	3,707,829	54,843
Facility and Equipment Rents	74,717	19,634
Depreciation	619,970	3,528
Other - Miscellaneous	53,733	8,384
	5,945,917	530,274
 Operating Loss	(4,333,312)	(530,274)
 Non-Operating Revenues (Expenses)		
Sales Tax Revenue	13,685,028	8,959,526
Enhanced Local Assistance	(3,421,257)	(2,239,881)
Transit System Operating Assistance Grants	2,339,832	-
Investment Income	303,992	11,476
Gain (Loss) on Disposal of Assets	(2,456)	-
	12,905,139	6,731,121
 Total Non-Operating Revenue	12,905,139	6,731,121
 Change in Net Assets before Capital Contributions	8,571,827	6,200,847
 Capital Contributions	371,317	-
 Change in Net Assets	8,943,144	6,200,847
 Net Assets, Beginning of Year	5,961,423	(239,424)
 Net Assets, End of Year	\$ 14,904,567	\$ 5,961,423

See accompanying notes to financial statements.

Denton County Transportation Authority
Statements of Cash Flows
Year Ended September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u> <u>Restated</u>
Cash Flows from Operating Activities		
Receipts from Customers and Users	\$ 1,207,350	\$ -
Payments to Suppliers	(1,197,619)	(408,002)
Payments to Employees and Benefit Providers	(290,507)	(52,979)
Payments to Purchased Transportation	<u>(3,186,785)</u>	<u>(5,843)</u>
Net Cash used by Operating Activities	<u>(3,467,561)</u>	<u>(466,824)</u>
Cash Flows from Non-Capital Financing Activities		
Sales Tax Received	13,498,143	6,766,737
Enhanced Local Assistance	(739,291)	(209,706)
Operating Grant Reimbursements	311,659	-
Interim Operating Funds Payback	<u>-</u>	<u>(381,001)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>13,070,512</u>	<u>6,176,030</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition and Construction of Capital Assets	<u>(406,609)</u>	<u>(21,820)</u>
Net Cash used by Capital and Related Financing Activities	<u>(406,609)</u>	<u>(21,820)</u>
Cash Flows from Investing Activities		
Interest received on investments	80,306	11,476
Proceeds from the sale of investments	9,095,000	-
Purchase of investments	<u>(20,484,360)</u>	<u>(1,562,207)</u>
Net Cash Provided (used by) by Investing Activities	<u>(11,309,053)</u>	<u>(1,550,731)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,112,712)	4,136,655
Cash and Cash Equivalents, Beginning of Year	<u>4,300,192</u>	<u>163,537</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,187,480</u>	<u>\$ 4,300,192</u>

See accompanying notes to financial statements.

Denton County Transportation Authority
Statements of Cash Flows (continued)
Year Ended September 30, 2005 and 2004

	2005	2004 Restated
Reconciliation of Operating Income to Net Cash		
Provided (used by) Operating Activities:		
Operating Loss	\$ (4,333,312)	\$ (530,274)
Adjustments to Reconcile Operating Loss to Net Cash Used by		
Operating Activities:		
Depreciation Expense	619,970	3,528
Change in Operating Assets and Liabilities		
Prepaid Expenses	(57,497)	(3,962)
Operating Accounts Receivable, Net	(396,755)	-
Operating Accounts Payable, Net	422,760	55,800
Accrued Payroll and Payroll Related Taxes	1,698	8,084
Increase (decrease) in other accrued liabilities	253,908	-
Deferred revenue	21,667	-
Total Adjustments	865,751	63,450
Total Interest Paid during the Year	-	-
Total Taxes Paid during the Year	-	-
Net Cash Used by Operating Activities	\$ (3,467,561)	\$ (466,824)
Supplemental cash flow information:		
Non-cash transactions:		
Capital contribution conveyed to DCTA	\$ 371,317	\$ -
Cash (paid) received during the year for:		
Interest	\$ 80,306	\$ 11,476
Income taxes, net	\$ -	\$ -

See accompanying notes to financial statements.

Denton County Transportation Authority

Notes to Financial Statements - continued
For the Year Ended September 30, 2005

Note 1. Organization

The accounting policies of the Denton County Transportation Authority (“DCTA”) as reflected in the accompanying financial statements for the fiscal years ended September 30, 2005 and 2004, conform to accounting principles generally accepted in the United States of America (“GAAP”) for local governmental units as prescribed by the Governmental Accounting Standards Board, and include applicable standards of the Financial Standards Board. Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues, expenditures and expenses. Actual results could vary from the estimates that are used.

Financial Reporting Entity

The financial statements of DCTA include all governmental activities, organizations and functions as required by accounting principles generally accepted in the United States of America. DCTA does not have any component units and does not meet the requirements to be included as a component unit in other governmental entities. Accordingly DCTA does not have any related parties nor related party transactions in the accompanying financial statements.

DCTA is a coordinated county transportation authority of the State of Texas, created pursuant to Section 460 of the Texas Transportation Code, and confirmed by a public referendum held November 5, 2002. This legislation requires that a Service Plan, an outline of the services that could be provided by an authority confirmed by the voters, be developed by the transit authority. DCTA created a Service Plan which was submitted to the voters in Denton County on September 13, 2003, for consideration and approval of a one-half percent sales and use tax. The Service Plan and associated sales tax was passed in three cities, Denton, Highland Village and Lewisville. Collection of the sales tax began on January 1, 2004.

The Board of Directors which governs DCTA currently consists of 14 authorized positions. The Board is composed of:

1. One member appointed by the governing body of the current eight municipalities with a population of 12,000 or more located in Denton County;
2. Three members appointed by the Commissioner’s Court, two of whom must reside in the unincorporated area of Denton County;
3. Three members to be designated by the remaining municipalities with a population of more than 500 but less than 12,000 located in Denton County.

Note 2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The activities of the DCTA are similar to those of proprietary funds of local jurisdictions and are therefore reported as an enterprise fund. The activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with operations are included in a single accounting; revenues are recognized in the accounting

Denton County Transportation Authority

Notes to Financial Statements - continued
For the Year Ended September 30, 2005

period in which they are earned, and expenses are recorded at the time liabilities are incurred. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. DCTA's principal operating revenues are derived from charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

All dollar amounts, unless otherwise noted, are in whole dollars. Year 2005 is a fiscal year ending September 30, 2005.

(b) Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with maturities of three months or less when purchased. Cash and cash equivalents are valued at cost which is substantially the fair value.

(c) Investments

The investment policies of DCTA are governed by the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. DCTA funds are managed and invested based on safety, liquidity, diversification and yield. The investments are stated at fair value. Fair value is the amount at which an investment may be exchanged in a current transaction between willing parties.

(d) Prepaid Expenses

Prepaid expenses are primarily insurance payments which are amortized over the policy period, and prepaid rents.

(e) Capital Assets

All capital assets are stated at cost. Capital assets are defined as assets which:

1. Have a useful life of more than one year and a unit cost of more than \$5,000;
2. Have a unit cost of \$5,000 or less, but are part of a network or combined unit of property;
or
3. Were purchased with grant money.

The cost of maintenance and repairs is charged to operations as incurred. The provision for depreciation of transportation property and equipment is calculated under the straight-line method using the respective estimated useful lives of major asset classifications, as follows:

	<u>Years</u>
Transportation vehicles:	
Bus	7 - 12
Paratransit	4 - 5
Transportation equipment	3 - 5
Office equipment	3

A mid-month convention is used to determine the first month in which depreciation will be charged. Therefore, a full month of depreciation expense is recorded in the first month for assets

Denton County Transportation Authority

Notes to Financial Statements - continued
For the Year Ended September 30, 2005

placed in service prior to the fifteenth day of the month; otherwise, depreciation is charged in the subsequent month. When property and equipment are disposed, depreciation is removed from the respective accounts and the resulting gain or loss is recorded.

The transit system operated by DCTA includes certain facilities owned by others. DCTA has contractual rights to operate these facilities under the terms of the authorizing legislation and other agreements.

(f) *Compensated Absences*

Employees receive compensation for vacations, holidays, illness, personal days, and certain other qualifying absences. The number of days compensated for the various categories of absence is based on length of service. Vacation leave, illness, and personal days that have been earned, but not paid, have been accrued in the accompanying financial statements. Compensation for holidays and other qualifying absences is not accrued in the accompanying financial statements because rights to such compensation do not accumulate or vest.

(g) *Enhanced Local Assistance Program*

The Enhanced Local Assistance Program (“ELAP”) is a mobility improvement program for participating member cities. The ELAP provides financial assistance for mobility projects approved by DCTA for a maximum period of four years. Funding is available to participating cities at an amount equal to twenty-five percent of the DCTA sales and use tax collections from the respective city. DCTA recognized ELAP expenses of \$3,421,257 and \$2,239,881 in fiscal years 2005 and 2004 with a related current and non-current liability of \$4,712,142 and \$2,030,175 respectively. Payments to participating cities in 2005 and 2004 were \$739,291 and \$209,706 respectively.

(h) *Deferred Revenue*

The University of North Texas and Texas Woman’s University have contracted with DCTA to provide transportation for faculty, staff, and students in Denton, Texas. The universities have paid for this service in advance and DCTA recognizes the revenue through straight line amortization over the respective period.

(i) *Net Assets*

Equity is displayed in two components as follows:

Invested in Capital Assets – This consists of capital assets, net of accumulated depreciation.

Unrestricted – This consist of net assets that do not meet the definition of “restricted” or “invested in capital assets”.

(j) *Operating Revenues*

Passenger revenue consists of fare box collections, the sale of passes and amortization of deferred revenue. Fare box revenue is recorded at the time service is performed. Revenue from the sale of passes is recorded at the time of the sale. Deferred revenue from advance payments on contracts is amortized straight line over the respective period.

Contract service revenue is revenue related to providing transit services to third parties on a contractual basis. Contract revenue is recorded in the period earned.

Denton County Transportation Authority

Notes to Financial Statements - continued
For the Year Ended September 30, 2005

(k) Classification of Revenues and Expenses

DCTA classifies its revenues as either operating or non-operating. Operating revenues include activities from the sale of transit services. Non-operating revenue is revenue not associated with the operations of DCTA's transit service and includes grant income, investment income and income from tax collections.

Operating expenses will be incurred for activities related to providing public transportation services. Such activities include transportation, maintenance, depreciation on capital assets and general and administrative functions. Non-operating expenses include the Enhanced Local Assistance Program provided to member cities.

(l) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

(m) Restatement of Previously Issued Financial Statements

DCTA management has concluded that the Company's financial statements for the year ended September 30, 2004 should be restated and such previously issued financial statements should no longer be relied upon. Therefore, all references and comparisons to the 2004 financials in the accompanying financial statements are to the restated financials. In accordance with SFAS No. 16, "Prior Period Adjustments," the fiscal year 2004 financial statements presented in the accompanying financials have been restated to reflect the correction of the accounting treatment for the Enhanced Local Assistance Program ("ELAP"). The restatement of the 2004 financial statements was required to properly match sales tax revenue with related expenses from ELAP projects and recognize the related liabilities in the statement of net assets. At fiscal year end 2004 DCTA was a developmental entity with a new program and major uncertainties as to the possible usage and type of projects that would be approved. As the 2004 potential ELAP obligation was not certain it was classified as a temporarily restricted asset in the amount of \$2,030,175. Subsequent to issuing the 2004 financial statements, management has determined that this accounting treatment overstated the 2004 statement of revenues, expenses and changes in net assets and understated the current and non-current liabilities. Therefore, management has restated the 2004 financial statements to reflect an additional ELAP expense of \$2,030,175 and a current and non-current liability portion payable to the participating member cities. The effect of the correction is presented in the following tables.

Denton County Transportation Authority

Notes to Financial Statements - continued
For the Year Ended September 30, 2005

Statement of Net Assets September 30, 2004

	As Originally Reported	Restated	Effect of Change
Assets			
Current Assets	\$ 8,059,150	\$ 8,059,150	\$ -
Property, Plant, and Equipment, Net of Accumulated Depreciation	18,292	18,292	-
Total Assets	<u>8,077,442</u>	<u>8,077,442</u>	<u>-</u>
Liabilities			
Current Liabilities	85,844	220,844	135,000
Non-current Liabilities	-	1,895,175	1,895,175
Total Liabilities	<u>85,844</u>	<u>2,116,019</u>	<u>2,030,175</u>
Net Assets			
Invested in Capital Assets	18,292	18,292	-
Temporarily Restricted	2,030,175	-	(2,030,175)
Unrestricted	5,943,131	5,943,131	-
Total Net Assets	<u>7,991,598</u>	<u>5,961,423</u>	<u>(2,030,175)</u>
Total Liabilities & Net Assets	<u>\$ 8,077,442</u>	<u>\$ 8,077,442</u>	<u>\$ -</u>

As a result of the correction a \$2,030,175 ELAP expense and related liability was recognized in the 2004 statement of net assets and the temporarily restricted net asset was reclassified to unrestricted net assets.

Statement of Revenues, Expenses and Changes in Net Assets September 30, 2004

	As Originally Reported	Restated	Effect of Change
Operating Revenues	\$ 36	\$ -	\$ (36)
Operating Expenses	(439,161)	(530,274)	(91,113)
Operating Loss	(439,125)	(530,274)	(91,149)
Total Non-Operating Revenue	8,670,147	6,731,121	(1,939,026)
Change in Net Assets	8,231,022	6,200,847	(2,030,175)
Net Assets, Beginning of Year	(239,424)	(239,424)	-
Net Assets, End of Year	<u>\$ 7,991,598</u>	<u>\$ 5,961,423</u>	<u>\$ (2,030,175)</u>

The effect of the correction in the statement of revenues, expenses and changes in net assets was a reduction of non-operating revenue in the amount of \$2,030,175 which was partially offset by a reclassification of \$91,149, for developmental operating cost to operating expense.

Denton County Transportation Authority

Notes to Financial Statements - continued
For the Year Ended September 30, 2005

Statement of Cash Flows September 30, 2004

	<u>As Originally Reported</u>	<u>Restated</u>	<u>Effect of Change</u>
Net Cash used by Operating Activities	\$ (375,675)	\$ (466,824)	\$ (91,149)
Net Cash Provided by Non-Capital Financing Activities	6,084,881	6,176,030	91,149
Net Cash used by Capital and Related Financing Activities	(21,820)	(21,820)	-
Net Cash Provided (used by) by Investing Activities	(1,550,731)	(1,550,731)	-
Net Increase (Decrease) in Cash and Cash Equivalents	4,136,655	4,136,655	-
Cash and Cash Equivalents, Beginning of Year	163,537	163,537	-
Cash and Cash Equivalents, End of Year	<u>\$ 4,300,192</u>	<u>\$ 4,300,192</u>	<u>\$ -</u>

Statement of Cash Flows, continued September 30, 2004

	<u>As Originally Reported</u>	<u>As Adjusted</u>	<u>Effect of Change</u>
Operating Loss	\$ (439,125)	\$ (530,274)	\$ (91,149)
Change in Operating Assets and Liabilities	63,450	63,450	-
Net Cash Used by Operating Activities	<u>\$ (375,675)</u>	<u>\$ (466,824)</u>	<u>\$ (91,149)</u>

The ELAP correction did not effect the statement of cash flows. The reclassification of \$91,149 of developmental operating cost to operating expense resulted in an additional use of operating funds.

(n) Financial Instruments and Credit Risk

In accordance with the Texas Public Funds Investment Act and DCTA's investment policy, DCTA invests in obligations of the United States or its agencies and instrumentalities. These financial instruments subject DCTA to limited credit risk.

Credit risk with respect to trade and other receivables is limited because they are primarily due from the state of Texas for sales tax collections and other city and state governmental units in the state of Texas.

(o) Going Concern

DCTA has no going concern issues.

(p) Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current year presentation.

Denton County Transportation Authority

Notes to Financial Statements - continued
For the Year Ended September 30, 2005

Note 3. Budgetary Data

DCTA maintains control over operating expenditures by the establishment of an annual operating budget. Budgets are prepared on the accrual basis consistent with accounting principles generally accepted in the United States of America. Annual proposed operating and capital budgets are prepared by management, presented to Denton County residents at public meetings and reviewed by the Board of Directors prior to adoption of the final budget in August. The operating and capital budgets follow the same preparation and review cycle.

Operating budget appropriations terminate at the end of the fiscal year. Capital budget amounts are not included in the accompanying financial statements. Capital budget amounts are budgeted over the life of the respective project, not on an annual basis.

During the course of the annual budget cycle, it may be necessary to modify the budget by a process of revision or amendment. For example, modifications may be required because of changes in the purpose, description, terms and conditions, or changes in the cost of an approved service or item. All budget modifications require Board of Directors' approval. The Board of Directors monitors, reviews and accepts the monthly and year to date financial statements with budget comparisons and material variance explanations.

The original and final amended budgets are presented in the accompanying financial statements. Significant amendments made during the fiscal year of 2005 included a decrease in operating passenger revenues of 13%; operating expenses, primarily for salaries, wages, and fringe benefits and service expense, decreased 11%; and non-operating revenues decreased a combined 9% for sales tax revenue net of ELAP expense, grants assistance, and investment income.

Note 4. Service and Facility Agreements

DCTA was assigned the McDonald Transit Associates, Inc. ("McDT") operating agreements from the cities of Lewisville and Denton in 2004. October 1, 2005, DCTA entered into a one-year contract extension for both of these services. McDT provides management services, and through their subsidiaries, Lewisville Transit Management, Inc. and Denton Transit Management, Inc. operate the contract services, bus and paratransit service for DCTA. McDT employs the personnel required to operate the services and is reimbursed for all operating costs. DCTA incurred expense of \$3,707,829 and \$54,843 for purchased transportation services in 2005 and 2004 respectively.

DCTA has entered into inter-local facility lease agreements with the cities of Lewisville and Denton, effective October 1, 2005. The facility leases are for three one-year periods with two annual renewal options and include office space, bus storage, maintenance areas and fueling facilities. The Lewisville lease also provides for vehicle maintenance at scheduled rates.

Note 5. Cash, Cash Equivalents, and Investments

(a) Cash Deposits

Denton County Transportation Authority

Notes to Financial Statements - continued
For the Year Ended September 30, 2005

DCTA adopted the Governmental Accounting Standards Board Statement No. 40, "Deposit and Investment Risk Disclosures" for fiscal year 2005. The standard requires that entities disclose essential risk information about deposit and investment requirements addressing common risks of investments. Comparative information for fiscal 2004 has been provided.

DCTA's operating cash is deposited in a non-interest bearing checking account. The custodial credit risk for deposits is the risk that in the event of a bank failure, the DCTA deposits may not be recovered. At September 30, 2005 and 2004, the DCTA bank balance in the checking accounts was \$518,367 and \$190,542 respectively. Bank balances for these accounts are insured by the Federal Depository Insurance Corporation and the deposits in excess of the insured amount are collateralized by pledged book entry securities held in a securities account at a Federal Reserve Bank in DCTA's name by a third party.

(b) Cash Equivalents and Investments

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The DCTA investment policy limits investment maturities to two years as a means of managing its exposure to fair value losses arising from increasing interest rates. In addition, the policy limits weighted average maturity of the overall portfolio may not exceed twelve months.

As authorized by the DCTA Investment Policy and in accordance with the Texas Public Funds Investment Act, cash equivalents and investments during the year were invested in U.S. Government Agency Securities, U.S. Treasury Notes and Bills and TexSTAR. TexSTAR is administered by First Southwest Asset Management, Inc. and JP Morgan Fleming Asset Management. TexSTAR is a local government investment pool created under the Inter-local Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund is rated AAA by Standard and Poor's and maintains a weighted average maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all of the requirements of the Texas Public Funds Investment Act for local government investment pools. Furthermore, State statutes authorize DCTA to invest funds in other cash equivalents such as money market mutual funds. All DCTA investments are subject to the Texas Public Funds Investment Act. DCTA investments are reported at fair value and all investments are insured or registered, or the securities are held by the DCTA or its agent in DCTA's name.

Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investment in a single issuer. The issuers where securities at year-end exceeded 5% of the total investments are as follows:

Denton County Transportation Authority

Notes to Financial Statements - continued
For the Year Ended September 30, 2005

Investment	September 30, 2005			September 30, 2004		
	Fair Value	% of Portfolio	Cost	Fair Value	% of Portfolio	Cost
FNMA (Fannie Mae)	\$ 4,005,562	27%	\$ 3,954,357	\$ -	0%	\$ -
FHLB	505,565	3%	499,688	-	0%	-
FHLMC (Feddie Mac)	2,967,790	20%	2,938,724	-	0%	-
U.S. Treasury Bills	2,459,223	17%	2,453,900	994,405	18%	992,207
U.S. Treasury Notes	2,496,094	17%	2,471,524	-	0%	-
Certificates of Deposit	741,019	5%	725,000	573,616	10%	570,000
Investment in TexSTAR	1,669,114	11%	1,669,114	4,109,650	72%	4,109,650
Total Investments	\$ 14,844,367	100%	\$ 14,712,307	\$ 5,677,671	100%	\$ 5,671,857

Note 6. Receivables

Due to the high quality of the receivables, DCTA has not provided an allowance of doubtful accounts. DCTA has Receivables at September 30, 2005 and 2004 consisted of the following:

	September 30, 2005	September 30, 2004
Operating:		
Denton LINK	\$ 9,651	\$ -
UNT Bus Services	255,967	
McDonald Transit	131,137	
Sales tax	2,379,673	2,192,789
Total	\$ 2,776,428	\$ 2,192,789

Note 7. Property, Plant, and Equipment

Changes in capital assets for the fiscal year ended September 30, 2005 are as follows:

	Beginning Balance 9/30/2004	Increases	Decreases	Ending Balance 9/30/2005
Capital assets, being depreciated:				
Vehicles and operating equipment	-	2,810,624		2,810,624
Office furniture and equipment	21,820	57,850	(3,070)	76,600
Totals, capital assets being depreciated	21,820	2,868,474	(3,070)	2,887,224

Denton County Transportation Authority

Notes to Financial Statements - continued
For the Year Ended September 30, 2005

	<u>Beginning Balance</u> <u>9/30/2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u> <u>9/30/2005</u>
Less accumulated depreciation for:				
Vehicles and operating equipment	-	605,869	-	605,869
Office furniture and equipment	3,528	14,102	(614)	17,016
Total accumulated depreciation	<u>3,528</u>	<u>619,971</u>	<u>(614)</u>	<u>622,885</u>
Total capital assets, being depreciated, net	<u>18,292</u>	<u>2,248,503</u>	<u>(2,456)</u>	<u>2,264,339</u>
DCTA capital assets, net	<u>\$ 18,292</u>	<u>\$ 2,248,503</u>	<u>\$ (2,456)</u>	<u>\$ 2,264,339</u>

Included in the increase in capital asset is a non-monetary transaction related to the acquisition of fifteen buses from the City of Denton. DCTA received fifteen buses in the acquisition of assets from the City of Denton, for which the local share related to the purchase of the assets was conveyed to DCTA. The local share for the original purchase of these assets was contributed to the city of Denton by the University of North Texas. The value of the unamortized local share conveyed to DCTA was \$371,317, which is included in net assets, and the related federal grant obligation, included in Transit System Operating Grants on the Statements of Revenues, Expenses and Changes in Net Assets, assumed by DCTA was \$1,292,992.

Note 8. Current Liabilities

DCTA has not formally restricted cash funds to pay current liabilities, but has adequate cash and investments to satisfy these obligations. Accounts payable and accrued liabilities at September 30, 2005 and 2004 consisted of the following:

	<u>September 30, 2005</u>	<u>September 30, 2004</u>
Accounts Payable	\$ 518,521	\$ 77,760
Accrued Liabilities:		
Accrued salaries, wages, & benefits	9,782	8,084
Other accrued liabilities	246,615	-
Retainage	51,665	-
ELAP	3,530,808	135,000
Deferred contract revenue	21,667	-
Total	<u>\$ 4,379,058</u>	<u>\$ 220,844</u>

Denton County Transportation Authority

Notes to Financial Statements - continued
For the Year Ended September 30, 2005

Note 9. Non-current Liabilities

Non-current liabilities consist of ELAP payable after one year. The amount classified as non-current ELAP payable in 2005 and 2004 was \$1,181,334 and \$1,895,175 respectively.

Note 10. Net Assets

Included in the increase in net assets is a \$371,317 capital contribution conveyed from the City of Denton related to the acquisition of fifteen buses. DCTA received fifteen buses in the acquisition of assets from the City of Denton for which the local share related to the purchase of the assets was conveyed to DCTA. The local share for the original purchase of these assets was contributed to the City of Denton by the University of North Texas.

Note 11. Pension, Retirement, and Deferred Compensation Plans

DCTA has a qualified deferred compensation defined contribution plan under the Internal Revenue Code Section 457 for full time employees. AIG Valic is the administrator of the plan. Employees can make voluntary contributions in the plan through pretax payroll deductions as up to the limits allowed by the Internal Revenue Code Section 457. DCTA presently matches up to a maximum of five percent of the participating employee's salary in a 401 (A) plan, with 20% of the DCTA contribution vesting to the employee each year.

During fiscal year 2005 the employee contributions were \$32,849, 13% of the total payroll, and DCTA's contributions were \$11,448, 5% of the total payroll.

Note 12. Commitments and Contingencies

(a) Risk Management

DCTA is exposed to various types of risk of loss including torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; natural disasters; and environmental occurrences.

DCTA is a participant in the Texas Political Subdivisions Joint Self-Insurance Funds ("TPS") to provide insurance for workers' compensation, general liability, and automobile coverage. TPS provides a guaranteed cost insurance plan for pooled political subdivisions in the state of Texas. The limits of liability coverage are \$500,000 for workers' compensation, \$2,000,000 in aggregate for general liability, and \$500,000 for automobile combined liability.

Property insurance has been placed with Great American Insurance Company of New York to cover catastrophic loss of DCTA vehicles valued at \$2,740,000 while stored at the facility, office contents valued at \$30,000, and fuel supplies valued at \$23,000. Deductibles applied to these assets are \$100,000, \$1,000, and \$1,000 respectively per occurrence.

Directors' and officers' Liability insurance has been placed with St. Paul Fire & Marine Insurance Co. The limits of liability are \$1,000,000 with a deductible of \$5,000.

Denton County Transportation Authority

Notes to Financial Statements - continued
For the Year Ended September 30, 2005

DCTA has not incurred any losses under these plans.

(b) Litigation

DCTA has no known claims or lawsuits pending against it.

(c) State and Federal Grants

DCTA has participated in several State and Federal grant programs through inter-local agreements with participating member cities and the assumed obligations requested with the transfer of operating assets September 30, 2005. These grant programs are subject to audit, approval, and adjustment by the grantor agencies, which could result in refunds to the grantor. It is management's opinion that all requirements under the respective grants have been complied with, and therefore no liabilities have been recorded in the accompanying financial statements for such liabilities.

(d) Commitments

In May 2005, DCTA entered into an agreement to purchase twelve thirty-five foot low floor transit buses for approximately \$3,172,320. The first unit is scheduled to arrive in January 2006 with the balance of the units arriving in March 2006. Accordingly, the accompanying financial statements do not reflect this future obligation.

DCTA has also entered into facility leases with the cities of Lewisville and Denton effective October 1, 2005. The Lewisville facility lease is for a one year term with a provision for three options to renew for additional one year terms. The Denton facility lease is for one three year term with a provision for two options to renew for additional one year terms. These leases include office space, vehicle storage, maintenance areas and fueling facilities. DCTA has also contracted with the city of Lewisville to provide for vehicle maintenance at scheduled rates, billable as incurred. The Lewisville lease allows for DCTA to terminate the contract with a sixty-day notice for cause or convenience with no termination penalty. The Denton lease allows for DCTA to terminate the contract with a sixty-day notice for cause or convenience with an early termination penalty. The maximum penalty under the lease is \$148,248 and is reduced over time by \$4,118 per month each month of the initial lease term. The accompanying financial statements include prepayments of \$16,451 related to the October 2005 payments for these leases.

The Board has approved a Service Plan that includes design and construction of a 20-mile commuter rail line connecting Denton and Dallas counties. The Alternatives Analysis is basically complete and a potential route for the rail line has been identified. DCTA has entered into the next phase of the project and has contracted for an Environmental Impact Study and Preliminary Engineering to start in November 2006. This phase will take approximately two years and the estimated cost of the contract is \$7,600,000. Progress payments will be made on this contract as the work is completed, and accordingly, no provision for this activity has been recorded in the accompanying financial statements.

These current expenditures, current contract commitments, and any future commitments will be funded by DCTA out of available cash and investments, future sales tax collections, federal grants and debt financing.

Denton County Transportation Authority

Notes to Financial Statements - continued
For the Year Ended September 30, 2005

DCTA has entered into certain operating lease agreements. All operating leases to which DCTA is currently a party expire within the next five years. The lease payments by year are:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Copier lease	\$ 3,395	\$ -	\$ -	\$ -	\$ -
Brookhollow office lease	98,520	98,520	98,520	98,520	57,470
Denton operating facility	113,016	113,016	113,016	63,600	63,600
Lewisville facility	10,200	10,200	10,200	10,200	-
Total	<u>\$ 225,131</u>	<u>\$ 221,736</u>	<u>\$ 221,736</u>	<u>\$ 172,320</u>	<u>\$ 121,070</u>

SUPPLEMENTARY INFORMATION

SCHEDULE OF REVEUES AND EXPENSES - BUDGET AND ACUTAL
Year Ended September 30, 2005
With Comparative Actuals for 2004

	Original 2005 Budget	Final 2005 Budget	2005 Actual	Variance	2004 Restated
Operating Revenues					
Passenger revenues	\$ 586,550	\$ 354,168	\$ 198,391	\$ (155,777)	\$ -
Contract service revenue	1,407,792	1,407,792	1,408,917	1,125	-
Other revenues	-	-	5,297	5,297	-
Total Operating Revenues	1,994,342	1,761,960	1,612,605	(149,355)	-
Operating Expenses					
Salaries, wages, and fringe benefits	635,733	393,673	296,949	(96,724)	61,063
Services	1,733,935	1,439,966	1,160,717	(279,249)	368,449
Materials and supplies	9,800	9,800	22,585	12,785	14,373
Utilities	-	5,520	6,865	1,345	-
Insurance, casualties and losses	1,851	3,042	2,552	(490)	-
Purchased transportation service	3,960,518	3,806,618	3,707,829	(98,789)	54,843
Miscellaneous	104,210	126,327	53,733	(72,594)	8,384
Leases and rentals	-	-	74,717	74,717	19,634
Depreciation	-	-	619,970	619,970	3,528
Total Operating Expenses	6,446,046	5,784,946	5,945,917	160,971	530,274
Operating Income / (Loss)	(4,451,704)	(4,022,986)	(4,333,312)	(310,326)	(530,274)
Non-Operating Revenues / (Expenses)					
Sales tax revenue	13,600,000	12,400,000	13,685,028	1,285,028	8,959,526
Enhanced local assistance	(3,400,000)	(3,100,000)	(3,421,257)	(321,257)	(2,239,881)
Transit system operating assistance grants	5,217,288	4,913,954	2,339,832	(2,574,122)	-
Net investment income / (Expense)	136,000	81,500	303,992	222,492	11,476
Gain (Loss) on Disposal of Assets	-	-	(2,456)	(2,456)	-
Total Non-Operating Revenue	15,553,288	14,295,454	12,905,139	(1,390,315)	6,731,121
Net Income	\$ 11,101,584	\$ 10,272,468	\$ 8,571,827	\$ (1,700,641)	\$ 6,200,847