SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

AUDIT COMMUNICATION LETTER

For the Year Ended August 31, 2025

GARZA GONZALEZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

GARZA GONZALEZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Southwest Area Regional Transit District
Uvalde, Texas

We have audited the financial statements of the Southwest Area Regional Transit District (The District), a governmental entity, for the year ended August 31, 2025, and have issued our report thereon dated April 28, 2026. Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted auditing standards, *Government Auditing Standards*, the State Single Audit Circular Uniform Guidance, and that we also communicate to you other information related to our audit.

Our Responsibilities Under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards*, State of Texas Single Audit Circular, and the Uniform Guidance

As stated in our engagement letter dated February 4, 2026, our responsibility, as described by professional standards, is to express opinions 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.

As part of our audit, we considered the District's internal control over financial reporting. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control over financial reporting. We also considered 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 the Uniform Guidance and the State of Texas Single Audit Circular.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we also performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with the Uniform Guidance, and the State of Texas Single Audit Circular we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Compliance Supplement" and the State of Texas Single Audit Circular for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As discussed in Note 1 to the financial statements, during the year ended August 31, 2025, the District adopted new accounting guidance, *GASB Statement No. 101 (GASB 101), Compensated Absences*, which establishes recognition and measurement guidance for liabilities related to compensated absences such as vacation, sick leave, and other forms of employee leave. Accordingly, the District has recognized a liability for compensated absences based on the amount of leave expected to be paid or settled, including leave expected to be used for time off in future periods. The compensated absences liability is required to be recognized whether or not the leave is paid upon termination. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Financial Statement Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Accounting Estimates
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 those expected. The most sensitive estimates affecting the District's financial statements are as follows:

- depreciation expense which is based on the estimated useful lives of assets.
- right-to-use lease and SBITA liabilities are measured at the present value of future lease/subscription payments, using the incremental borrowing rate as the estimated interest rate that the District would be charged for borrowing the lease/subscription payment amounts during the lease/subscription term, using various information of the respective agreement.
- right-to-use lease and SBITA assets are reported at the amount of the initial measurement of the respective right-to-use lease/SBITA liability.
- right-to-use lease and SBITA assets are amortized over the lease/subscription term.
- compensated absences liability is based on the number of leave days accumulated by employees as of the end of the fiscal year, the related pay rate, and an estimate of whether leave is more likely not to be used or to be paid.

We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

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 adjusting entries are as follows:

- Adjustments to increase capital assets and decrease expenses by $858,905.
- Adjustment to decrease line of credit liability and decrease revenues by $60,000.
- Adjustment to increase capital assets and increase grant revenue by $92,503.
- Adjustment to increase depreciation expense and decrease other expenses by $66,459.

We also assisted the District with adjustments for the implementation of GASB 101, as well for adjusting the right-to-use leased assets and liabilities, and SBITA assets.

Uncorrected misstatements include an understatement of credit card payables and expenses of $7,641.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 28, 2026.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Issues

Matters Discussed with Management Prior to Reappointment
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to reappointment as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our reappointment.

Required Supplementary Information
We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on it.

Supplementary Information
With respect to the schedule of expenditures of federal and state awards and the schedule of operating program expenses by fund accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled such information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Information in Documents Containing Audited Financial Statements
We are not aware of any other documents that contain the audited financial statements and the auditor's report thereon. If we become aware that such documents were published, we would have a responsibility to read such information, in order to identify material inconsistencies, if any, with the audited financial statements.

Communication of Compliance and Other Matters

In planning and performing our audit of the financial statements of the Southwest Area Regional Transit District as of and for the year ended August 31, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and therefore, significant deficiencies or material weaknesses may exist that have not been identified.

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 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This letter is intended solely for the use of the Board of Directors and management of the District and is not intended to be, and should not be used by anyone other than these specified parties.

We would like to take this opportunity to acknowledge the courtesy and assistance extended by the personnel of the District during the course of our audit.

Garza/Gonzalez
& Associates

April 28, 2026

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

ANNUAL FINANCIAL AND COMPLIANCE REPORT

Years Ended August 31, 2025 and 2024

GARZA GONZALEZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

ANNUAL FINANCIAL AND COMPLIANCE REPORT

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SOUTHWEST AREA REGIONAL TRANSIT DISTRICT'S
Uvalde, Texas

PRINCIPAL OFFICIALS

August 31, 2025

Board Members

Judge Martha A. Ponce
Dimmit

Judge Souli A. Shanklin
Edwards

Judge John P. Schuster
Kinney

Judge Leodoro Martinez III
La Salle

Judge Ramsey E. Cantu
Maverick

Judge Bella A. Rubio
Real

Judge Jesse Gonzales
Zavala

Judge Jerry W. Bates
Uvalde

Councilwoman Jessica R. Ramon
City of Eagle Pass

General Manager

Sarah Hidalgo-Cook

Assistant General Manager

Cynthia Rodriguez

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southwest Area Regional Transit District
Uvalde, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Southwest Area Regional Transit District (the District) as of and for the years ended August 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of August 31, 2025 and 2024, and the respective changes in financial position, and, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note I., the District has adopted the provisions of GASB Statement No. 101, *Compensated Absences*. Accordingly, the accounting changes have been retroactively applied to the prior period. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenses by fund and schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State of Texas Single Audit Circular are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenses by fund and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Garza / Gonzalez
& Associates

April 28, 2026

As management of the Southwest Area Regional Transit District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the year ended August 31, 2025. We encourage readers to consider the information presented here.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities by $4,447,554 (net position) for the year ended August 31, 2025. This represents an increase of $510,197 from the previous year when assets exceeded liabilities by $3,937,357.
- Total capital assets (net of depreciation) were $3,986,364 for the current year reported compared to $3,399,914 in the previous year, which increased by a net of $586,450 for the current year reported. The District purchased new vehicles and related equipment during the year totaling $1,199,564.
- TxDOT awarded the District $458,695 during the year to support SWART's effort in increasing ridership in counties served and meet the rising demand for both local and long-distance routes.
- The District implemented GASB 101 Compensated Absences during the year. As a result, of the implementation, a prior period adjustment was required, which decreased beginning net position in the amount of $38,320.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: 1) proprietary fund financial statements, and 2) notes to the financial statements.

Basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary fund. The District maintains one proprietary fund (enterprise fund) to account for its transportation operations.

The basic financial statements can be found on pages 10 through 12.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the proprietary fund financial statements. The notes to the financial statements can be found on pages 13 – 26 of this report.

Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position.

The largest portion of the District's net position (90%) reflects its investment in capital assets (e.g., vehicles, office furniture and equipment, buildings, and right-to-use assets), net of any related debt. The District uses these capital assets to provide public transportation services to residents of Dimmit, Edwards, Kinney, La Salle, Maverick, Real, Uvalde, and Zavala Counties; consequently, these assets are not available for future spending.

The remaining portion of the District's net position (10%) represents unrestricted net position that may be used to meet the District's ongoing obligations to creditors.

The District's net position increased by $510,197, compared to the previous year.

Below are summaries of the District's Statement of Net Position and Statements of Revenues, Expenses, and Changes in Net Position.

Statements of Net Position
August 31,

	2025	2024	2023
Current Assets	$ 658,765	$ 838,775	$ 813,268
Right-to-Use Leased Asset	6,954	17,384	27,814
SBITA Asset	-	8,394	109,124
Capital Assets	3,986,364	3,399,914	3,548,714
Total Assets	$ 4,652,083	$ 4,264,467	$ 4,498,920
Current Liabilities	$ 196,766	$ 311,664	$ 258,412
Long Term Liabilities	7,763	15,446	93,701
Total Liabilities	204,529	327,110	352,113
Net Position			
Net Investment in Capital Assets	3,984,429	3,405,628	3,528,061
Unrestricted	463,125	531,729	618,746
Total Net Position	$ 4,447,554	$ 3,937,357	$ 4,146,807

	Statements of Activities August 31,		
	2025	2024	2023
Operating Revenues			
Passenger Revenues	$ 248,707	$ 275,609	$ 230,123
Rents and Other Revenues	728,340	856,233	907,028
Grants and Contributions	2,708,009	2,718,560	2,160,556
Total Operating Revenues	3,685,056	3,850,402	3,297,707
Operating Expenses			
Transportation Programs	3,741,603	3,705,514	3,173,795
Depreciation Expense	613,114	641,145	555,540
Amortization Expense	18,824	111,161	77,584
Total Operating Expenses	4,373,541	4,457,820	3,806,919
Operating Income (Loss)	(688,485)	(607,418)	(509,212)
Non-Operating Revenues (Expenses)			
Gain/(Loss) on Disposal of Capital Assets	-	(3,886)	-
Interest Expense	(882)	(4,362)	(3,032)
Total Non-Operating Revenue (Expenses)	(882)	(8,248)	(3,032)
Income (Loss) Before Capital Grants and Contributions	(689,367)	(615,666)	(512,244)
Capital Grants	1,199,564	406,216	713,961
Change in Net Position	510,197	(209,450)	201,717
Net Position at Beginning of Year	3,937,357	4,146,807	3,945,090
Net Position at End of Year	$ 4,447,554	$ 3,937,357	$ 4,146,807

CAPITAL ASSETS

The District's investment in capital assets for its proprietary fund as of August 31, 2025, totaled to $3,986,364 (net of accumulated depreciation). This investment in capital assets includes vehicles, buildings, furniture and equipment. In the current year the District acquired six (6) vehicles totaling $900,964 and equipment, consisting of security cameras, for $298,600 for a total value of $1,199,564.

	Capital Assets (Net of Depreciation) August 31,		
	2025	2024	2023
Land	$ 209,654	$ 209,654	$ 209,654
Buildings	2,221,258	2,221,258	2,061,258
Machinery, Equipment & Vehicles	5,451,169	4,251,605	4,639,398
Accumulated Depreciation	(3,895,717)	(3,282,603)	(3,361,596)
Total	$ 3,986,364	$ 3,399,914	$ 3,548,714

Additional information on the District's capital assets can be found in the notes to the financial statements.

LONG TERM LIABILITES

Long term liabilities consist of compensated absences for $7,763. Additional detailed information is found in note II G. to the financial statements.

ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGETS AND RATES

The budget for the year ended August 31, 2026 and actual revenues from fiscal year 2025 are as follows:

	Budget 2026	Actual 2025
Federal Grants	$ 1,001,461	$ 1,511,156
State Grants	1,069, 475	858,427
TRS	1,068,000	559,998
Elderly and Disabled	1,097,792	1,405,329
Bus and Bus Facility	351,586	128,088
Other	230,000	421,622
Total	$ 3,720,522	$ 4,884,620

Federal and state grant allocations are expected to carry over into fiscal year 2026.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Sarah Hidalgo-Cook, CCTM
General Manager
Southwest Area Regional Transit District
713 East Main Street
Uvalde, Texas 78801
830-278-4155 or 800-499-1617
www.paseoswart.org

BASIC FINANCIAL STATEMENTS

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

STATEMENT OF NET POSITION

	August 31, 2025	2024
ASSETS		
Current Assets		
Cash	$ 220,745	$ 377,388
Restricted Cash	30,250	33,725
Grants Receivable	407,770	427,662
Total Current Assets	658,765	838,775
Non-Current Assets		
Capital Assets		
Land	209,654	209,654
Buildings & Improvements	2,221,258	2,221,258
Vehicles & Equipment	5,451,169	4,251,605
Right-to-Use Lease Asset (Net of Accumulated Amortization)	6,954	17,384
SBITA Asset (Net of Accumulated Amortization)	-	8,394
Less: Accumulated Depreciation	(3,895,717)	(3,282,603)
Total capital assets (net of accumulated depreciation)	3,993,318	3,425,692
Total Non-Current Assets	3,993,318	3,425,692
Total Assets	$ 4,652,083	$ 4,264,467
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 1,921	$ 40,352
Accrued Salaries and Benefits Payable	19,488	90,483
Due to Employees for Staff Savings	30,236	36,026
Credit Card Payable	-	13,604
Current Portion Compensated Absences	136,232	120,024
Current Portion Long-term Lease Liability	8,889	11,175
Total Current Liabilities	196,766	311,664
Non-Current Liabilities		
Non-Current Portion Compensated Absences	7,763	6,557
Non-Current Portion Lease Liability	-	8,889
Total Non-Current Liabilities	7,763	15,446
Total Liabilities	204,529	327,110
NET POSITION		
Net Investment in Capital Assets	3,991,383	3,431,406
Unrestricted	456,171	505,951
Total Net Position	$ 4,447,554	$ 3,937,357

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

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended August 31,

	2025	2024
Operating Revenues		
Grants	$ 2,708,009	$ 2,718,560
Passenger Fares	248,707	275,609
Rental Income	57,005	57,005
Contract Revenues	472,031	622,803
Donations	130,503	102,288
Other Revenues	68,801	74,137
Total Operating Revenues	3,685,056	3,850,402
Operating Expenses		
Transportation Programs	3,741,603	3,705,514
Depreciation Expense	613,114	641,145
Amortization Expense	18,824	111,161
Total Operating Expenses	4,373,541	4,457,820
Operating income (loss)	(688,485)	(607,418)
Non-Operating Revenues (Expenses)		
Interest	(882)	(4,362)
Loss on Disposal of Capital Assets	-	(3,886)
Total Non-Operating Revenues (Expenses)	(882)	(8,248)
Income (Loss) Before Capital Grants	(689,367)	(615,666)
Capital Grants and Contributions		
Capital Grants	1,199,564	406,216
Change in Net Position	510,197	(209,450)
Net Position at Beginning of Year (Restated)	3,937,357	4,146,807
Net Position at End of Year	$ 4,447,554	$ 3,937,357

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

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

STATEMENT OF CASH FLOWS

Years Ended August 31,

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Grantors/Contractors	$ 3,199,932	$ 3,111,507
Receipts from Passengers	248,707	275,609
Receipts from Donors	130,503	102,288
Receipts from Others	125,806	128,642
Cash Paid to Vendors	(1,546,749)	(1,342,950)
Cash Paid to Employees	(2,306,260)	(2,247,540)
Net Cash Provided (Used) by Operating Activities	(148,061)	27,556
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	-	(160,000)
Proceeds from the Sale of Capital Assets	-	69,983
Principal Payments on Lease	(11,175)	(10,448)
Principal Payments on SBITAs	-	(127,079)
Interest Paid on Lease	(882)	(1,613)
Interest Paid on SBITA Lease	-	(2,748)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(12,057)	(231,905)
NET INCREASE/(DECREASE) IN CASH AND RESTRICTED CASH	(160,118)	(204,349)
CASH AND RESTRICTED CASH AT BEGINNING OF YEAR	411,113	615,462
CASH AND RESTRICTED CASH AT END OF YEAR	$ 250,995	$ 411,113
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (688,485)	$ (607,418)
Adjustments to Reconcile change in Net Position to Net Cash Provided By Operating Activities:		
Depreciation	613,114	641,145
Amortization on Leases	10,430	10,430
Amortization on SBITA	8,394	100,731
(Increase) Decrease in Operating Assets:		
Grants receivable	19,892	(229,856)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(38,431)	38,891
Accrued Salaries and Benefits Payable	(70,995)	1,034
Due to Other Organizations	-	(2,500)
Due to Employees for Staff Savings	(5,790)	8,551
Credit Card Payable	(13,604)	13,604
Compensated Absences	17,414	52,944
Net Cash Provided by Operating Activities	(148,061)	27,556
Supplemental Disclosures:		
Non-Cash Transaction: Acquisition of Equipment, Building, and Improvements from TXDOT programs	$ 1,199,564	$ 406,216
Reconciliation to Statement of Net Position:		
Cash	$ 220,745	$ 377,388
Restricted Cash	30,250	33,725
	$ 250,995	$ 411,113

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Southwest Area Regional Transit District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the significant accounting policies and practices used by the District.

A. Reporting Entity

The District is a local governmental body and political subdivision existing under Chapters 458 of the Transportation Code of the State of Texas. The District is governed by a Board of Directors composed of elected officials from each of the counties served. The District offers public and specialized transportation services for the following counties; Dimmit, Edwards, LaSalle, Kinney, Maverick, Real, Uvalde, Val Verde, and Zavala. Medical transportation services are provided in Val Verde County. The District began operations effective June 1, 2012.

The following are the primary services offered by the District:

- Rural Public Transportation Services
- Job Access Transportation
- Non-Emergency Medical Transportation for Medicaid Eligible Clients
- Contracted Transportation

The financial statements report information on all activities of the District, including a blended component unit. Blended component units are legally separate entities which are part of the District's operations. The governing board of the component unit is the same as the primary government's governing board. In addition, management of the primary government has operational responsibility for the component unit. The District reports the Partners in Transit, Inc. as a blended component unit.

Partners In Transit, Inc. was established on April 20, 2023 as a Texas non-profit organization to enhance public transportation services within the Middle Rio Grande region. The Board members of Partners In Transit, Inc. are the same members of the District. The District exercises operational responsibility of Partners In Transit, Inc. and a significant financial relationship exists between the District and Partners In Transit, Inc. Because of the above-described relationship, the District's component unit is included in its financial statements as a "fully blended" component unit based on the criteria set forth in GASB codification Section 2600, *Reporting Entity and Component Unit Presentation and Disclosure.* Under the "fully blended" component unit GASB provisions, the financial statements of the component unit are presented within those of its sponsoring government in the same manner as if the component unit was a department or operation of the sponsoring government.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements – Fund Financial Statements

The financial statements of the District are reported as a proprietary fund financial statements. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, net position, revenues and expenses. The focus of proprietary fund measurement is on the determination of operating income, changes in net position, financial position, and cash flows. The general accounting principles applicable are those similar to businesses in the private sector. The following briefly describes the purpose of proprietary fund:

- Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods and services and the activity is financed with debt that is solely secured by a pledge of the net revenues.

C. Measurement Focus and Basis of Accounting

1. Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If the balance has not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

   The financial statements are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all Governmental Accounting Standards Board (GASB) pronouncements. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the fund Statement of Net Position. The fund equity is segregated into (1) net investment in capital assets and (2) unrestricted net position.

   The District distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses consist of charges for services (including intergovernmental revenues received in exchange for providing transportation and in-kind revenues) and the cost of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as non-operating.

D. 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District's cash and cash equivalents are comprised of cash on hand and in banks. Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less.

2. Grants Receivable

Grants receivable represent amounts due from federal and state agencies for the various programs administered by the District. The receivable includes amounts due on programs closed out and those in progress as of August 31, 2025.

3. Restricted Cash

The restricted cash balance at August 31, 2025 and 2024 totaled $30,250 and $33,725; respectively, and is presented in the Statement of Net Position. Cash has been restricted in connection with an employee savings program and is not available for general operations.

4. Capital Assets and Depreciation

Capital assets, which include land, buildings and vehicles, are reported in the proprietary fund. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The District's grantor agencies retain a reversionary interest in the grant equipment that the District has recorded on their financial statements. That is, if the grantor agency were to terminate the program, the title to the equipment reverts to the grantor agency and the equipment would be required to be returned to the grantor agency.

Capital Assets of the District are depreciated using the straight-line method over the following useful lives:

Assets	Years
Building(s)	30
Vehicle(s)	8
Equipment	3

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Allowance for Doubtful Accounts

The District considers its receivables from grantors to be fully collectible; therefore, an allowance for doubtful accounts is not recognized. Grants receivable are written off when management makes the determination that an amount is not collectible. The District had no bad debts for the years ended August 31, 2025 or 2024.

6. Restricted/Unrestricted Resources

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

7. Retirement Plan

The District has adopted a tax-deferred plan under Section 401(a) of the Internal Revenue Code. The Plan provides that all employees are eligible to participate after completing six months of service and are at least eighteen years of age. The District may make a discretionary matching contribution based on a percentage of the participant’s compensation. The matching contribution are to be determined by the employer and are determined on a plan year basis.

8. Net Position

Net position is comprised of three components:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position – consist of net position that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

9. Compensated Absences

Effective for the fiscal year ended August 31, 2025, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. This statement establishes recognition and measurement guidance for liabilities related to compensated absences, such as vacation, sick leave, and other forms of paid leave. GASB Statement No. 101 requires governments to recognize a liability for compensated absences when an employee performs service for which various leave types are earned and accumulates. The leave earned can be used for time off or other forms of compensation. The liability is measured based on the amount of leave that is expected to be paid or settled, including leave expected to be used for time off in future periods. Accordingly, the District has evaluated all leave and has recorded a liability related to sick leave earned and unpaid that is more likely than not to be used and/or otherwise paid to an employee. GASB 101 requires that the District recognize the liability as of the prior year end which required a prior period adjustment to the fiscal year ended August 31, 2024.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

District employees earn annual leave at rates varying according to their years of service. Annual leave is credited each pay period at the rate of 4 hours for employees working 12-59 months; 5 hours for employees working 60-119 months; and, 6 hours for employees working at least 120 months.

Upon termination of employment, the District pays employees who have completed 12 months of services the unused portion of their accrued annual leave, not to exceed 96 hours. However, if SWART, in its sole discretion, terminates employment for cause, forfeiture of unused annual leave time may result.

Upon resignation, an employee will be paid their unused portion of annual leave, not to exceed 96 hours if employed 12 to 59 months and 192 hours if employed 60 or more months, providing all policies were followed, including two-week notice and the exit interview.

The compensated absences liability at August 31, 2025 and 2024 totaled $143,995 and $126,581 respectively.

10. Capital Grants and Contributions

The District reports as capital grants and contributions revenues awarded by the U.S Department of Transportation for capital purchases under the Formula Grants for Rural Areas Program, Enhanced Mobility of Seniors and Individuals with Disabilities Program, and the Bus and Bus Facilities Program for fiscal year 2025. Capital Grants and Contributions totaled $1,199,564 and $406,216 respectively for the years ended August 31, 2025 and 2024, respectively.

11. Budget and Budgetary Accounting

The District's primary funding source is federal, state grants and contracts which have contract periods that may or may not coincide with the District's fiscal year. These grants normally are for a 12-month period; however, they can be awarded for periods shorter or longer than 12 months.

Although the financial plan is reviewed and approved by the District's Board, it is not considered a legally adopted annual budget. Accordingly, comprehensive budget and actual results are not required to be presented in this report.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Leases

GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, the District, as a lessee, is required to recognize a lease liability and an intangible right-to-use asset.

A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term" lease provided in GASB 87. The lease liability should be measured at the present value of payments expected to be made during the lease term and the interest included in the lease payment is recorded as an expense.

The District is a lessee for a non-cancelable lease of equipment. The District recognizes a lease liability and a right-to-use lease asset in the business type fund. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

13. Subscription-Based Information Technology Arrangements (SBITAs)

GASB Statement No. 96 establishes an accounting model for subscription assets. Under this statement, the District is required to recognize an intangible right-to-use SBITA asset and a corresponding SBITA liability. The subscription liability is recorded at the commencement of the subscription contract term and measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the implicit interest rate in the subscription agreement the SBITA vendor charges the District, or the District's incremental borrowing rate if the interest is not readily determinable. The subscription asset is initially measured as the sum of the initial subscription liability amount, payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The subscription asset is amortized over the subscription term.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. Blended Component Unit – Condensed Financial Statement Information

In accordance with the provision of GASB Codification 2600.115, local governments engaged only in business-type activities that use a single column for financial information may consolidate its blended component unit information in its single column basic financial statements and present prescribed combining blended component unit information as condensed information within the notes to the financial statements.

The following presents the condensed financial statement information for the Partners In Transit, Inc. blended component unit of the District:

Condensed Statement of Net Position

	August 31, 2025	August 31, 2024
Assets:		
Current Assets	$ 16,529	$ 9,306
Total Assets	16,529	9,306
Liabilities:		
Current Liabilities	-	2,530
Total Liabilities	-	2,530
Net Position		
Unrestricted Net Position	16,529	6,776
Total Net Position	16,529	6,776
Total Liabilities and Net Position	$ 16,529	$ 9,306

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position

	August 31, 2025	August 31, 2024
Operating Revenues (Expenses)		
Donations	$ 9,753	$ 6,806
Other Revenue	-	2,500
Operating Expenses	-	(2,530)
Total Operating Revenues (Expenses)	9,753	6,776
Nonoperating Revenues (Expenses)	-	-
Total Nonoperating Revenues (Expenses)	-	-
Change in Net Position	9,753	6,776
Net Position – Beginning of Year	6,776	-
Net Position – End of Year	$ 16,529	$ 6,776

Condensed Statement of Cash Flows

	August 31, 2025	August 31, 2024
Net Cash Provided (Used) by:		
Operating Activities	$ (5,026)	$ 6,806
Net Increase (Decrease) in Cash and Cash Equivalents	(5,026)	6,806
Cash and Cash Equivalents, Beginning Balance	9,306	2,500
Cash and Cash Equivalents, Ending Balance	$ 4,280	$ 9,306

A. Deposits and Investments

a. State statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) banker's acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds.

During the year ended August 31, 2025 or 2024, the District did not own any types of securities or investments.

At August 31, 2025, the carrying amount of the District's deposits was $250,995 and the bank balance was $293,878.

II. DETAILED NOTES ON ALL FUNDS

A. Custodial Credit Risk for Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's funds are required to be deposited and invested under the terms of a depository contract. The District's deposits are required to be collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. At August 31, 2025 and 2024, the District's bank deposits were fully insured by FDIC and pledged securities.

B. Grants Receivable

Grants receivable, due within one year for qualifying costs recorded in statements of net position, is comprised of the following:

	August 31,	
Program	2025	2024
State UZA	$ 28,312	$ 98,592
Service Expansion	16,911	-
Elderly & Disabled	59,568	47,662
RPT Federal	96,772	128,241
RTAP	6,440	-
Rural Discretionary	16,017	-
RPT State	25,561	79,741
MPT/Other	158,189	73,426
Total	$ 407,770	$ 427,662

II. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity for the year ended August 31, 2025, was as follows:

	Balance September 1, 2024	Increases	Decreases	Balance August 31, 2025
Capital assets, not being depreciated:				
Land	$ 209,654	$ -	$ -	$ 209,654
Total capital assets, not being depreciated	209,654	-	-	209,654
Capital assets, being depreciated:				
Building and improvements	2,221,258	-	-	2,221,258
Machinery, equipment and vehicles	4,251,605	1,199,564	-	5,451,169
Total capital assets, being depreciated	6,472,863	1,199,564	-	7,672,427
Less accumulated depreciation for:				
Building and improvements	(1,173,855)	(69,002)	-	(1,242,857)
Machinery, equipment and vehicles	(2,108,748)	(544,112)	-	(2,652,860)
Total accumulated depreciation	(3,282,603)	(613,114)	-	(3,895,717)
Total capital assets depreciated, net	3,190,260	586,450	-	3,776,710
Total capital assets, net	$ 3,399,914	$ 586,450	$ -	$ 3,986,364

Capital asset activity for the year ended August 31, 2024, was as follows:

	Balance September 1, 2023	Increases	Decreases	Balance August 31, 2024
Capital assets, not being depreciated:				
Land	$ 209,654	$ -	$ -	$ 209,654
Total capital assets, not being depreciated	209,654	-	-	209,654
Capital assets, being depreciated:				
Building and improvements	2,061,258	160,000	-	2,221,258
Machinery, equipment and vehicles	4,639,398	406,216	(794,009)	4,251,605
Total capital assets, being depreciated	6,700,656	566,216	(794,009)	6,472,863
Less accumulated depreciation for:				
Building and improvements	(1,075,855)	(98,000)	-	(1,173,855)
Machinery, equipment and vehicles	(2,285,741)	(543,145)	720,138	(2,108,748)
Total accumulated depreciation	(3,361,596)	(641,145)	720,138	(3,282,603)
Total capital assets depreciated, net	3,339,060	(74,929)	(73,871)	3,190,260
Total capital assets, net	$ 3,548,714	$ (74,929)	$ (73,871)	$ 3,399,914

II. DETAILED NOTES ON ALL FUNDS (Continued)

D. Leases

On January 18, 2021, the District entered into a sixty-three-month lease agreement for the lease of 7 copy machines, that meet the definition of a "long-term" lease provided in GASB 87. As such, a liability is reported at the present value of payments expected to be made during the lease term. The liability is reduced as payments are made and the lease asset is amortized based off a discount rate of 6.75%. The lessee is required to make monthly payments in the amount of $1,010, plus applicable taxes, over the lease term. Total principal payments made during the year was $11,175 and interest paid was $882.

The right-to-use lease asset(s) and related accumulated amortization is as follows:

	September 1, 2024	Increases	Decreases	August 31, 2025
Leased Copiers	$ 48,674	$ -	$ -	$ 48,674
Total Right-to-Use Assets	48,674	-	-	48,674
Less Accumulated Amortization for:				
Leased Copiers	$ 31,290	$ 10,430	$ -	$ 41,720
Total Accumulated Amortization	31,290	10,430	-	41,720
Right-to-Use Assets, Net	$ 17,384	$ 10,430	$ -	$ 6,954

E. Subscription-Based Information Technology Arrangements (SBITA)

On January 17, 2023, the District entered into an agreement for the use of TransTrack Manager software, which meets the criteria of a SBITA provided in GASB 96. The contract was effective until October 1, 2024. As such, a right-to-use subscription asset is reported at the present value of subscription payments expected to be made during the subscription term. The liability is reduced as payments are made and the subscription asset is amortized based off a discount rate of 5%. An initial subscription liability was recorded in the amount of $176,278. As of August 31, 2024, the value of the subscription liability is $0. The District is required to make annual variable principal payments. Total principal payments made during 2024 was $127,079 and interest paid during 2024 was $2,748.

II. DETAILED NOTES ON ALL FUNDS (Continued)

The subscription asset and related accumulated amortization is as follows:

	September 1, 2024	Increases	Decreases	August 31, 2025
Subscription Asset				
Software	$ 176,278	$ -	$ (176,278)	$ -
Total Subscription Assets	176,278	-	(176,278)	-
Less Accumulated Amortization for:				
Software	$ 167,884	$ 8,394	$ (176,278)	$ -
Total Accumulated Amortization	167,884	8,394	(176,278)	-
Subscription Asset, Net	$ 8,394	$ 8,394	$ -	$ -

F. Long-Term Liabilities

The District's liabilities consist of compensated absences and lease payable.

Changes in Long-Term Liabilities

A summary of long-term liabilities of the District for the year ended August 31, 2025 is as follows:

	September 1, 2024	Increases	Decreases	August 31, 2025	Due within one year
Compensated Absences*	$ 126,581	$ 137,438	$ (120,024)	$ 143,995	$ 136,232
Lease Payable	20,064	-	(11,175)	8,889	8,889
Total	$ 146,645	$ 137,438	$ (131,199)	$ 152,884	$ 145,121

*Beginning balance is restated.

Annual debt service requirements to maturity for the lease liability is as follows:

Year Ending August 31,	Principal	Interest	Total
2026	$ 8,889	$ 201	$ 9,090
	$ 8,889	$ 201	$ 9,090

II. DETAILED NOTES ON ALL FUNDS (Continued)

G. Risks Related to Grantor Concentration

The District receives the majority of its support and revenue from the U.S. Department of Transportation and the Texas Department Transportation. The District receives annual grants from these agencies and is required to prepare reports that detail the program expenses incurred for which the District is requesting reimbursement. The District would realize a severe negative impact should the level of these grant revenues be significantly reduced or discontinued.

H. Risk Management

The District's exposure to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; and natural disasters is covered with commercial property, liability and automobile insurance. There have been no significant reductions in insurance coverage for these risks of loss since the prior year; and there have been no claims in excess of insurance coverage for any of the past three fiscal years.

I. Line of Credit

The District has an approved line of credit of $300,000 with TXN Bank. The per annum rate ranged from 7.50% to 8.50%. There were no outstanding balances at August 31, 2025 or 2024, respectively.

J. 401 (A) Employees Plan

The District established a defined contribution pension plan for its employees effective January 1, 2013. The District acts as the plan administrator and is responsible for maintaining records on participants, determining eligibility for benefits and interpreting and administering the provisions of the plan. The plan year begins on January 1 and ends on December 31 of each year.

Participants are fully vested in their own contributions to the Plan. Participants vesting in employer matching contributions are based on years of service. Employees with less than two years of service are 0% vested, between two and three years are 50% vested, and three or more years are 100% vested.

The Plan is an annuity contract issued by an insurance company. Earnings (gains and/or losses), changes, and expenses will be treated as provided for in the contract.

II. DETAILED NOTES ON ALL FUNDS (Continued)

Employee contributions made to the Plan for the year ended August 31, 2025 and 2024 were $20,515 and $26,538, respectively. Employer contributions were $64,893 in 2025 and $69,011 in 2024. Employee contributions were paid to OneAmerica as a matching contribution representing 100% of the first 5% of employee contributions to the plan.

A group of annuity contract issued by an insurance company is the funding medium used for the accumulation of assets from which benefits are paid. Earnings (gains and/or losses), changes, and expenses will be treated as provided for in the contract.

K. Contingent Liabilities and Commitments

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenses made, in compliance with program guidelines, to the grantor agency. These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, the District has not complied with all the rules and regulations, financial or otherwise, adjustment to or return of fund monies may be required.

As it pertains to other matters of compliance, in the opinion of the District, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statements for such contingencies.

L. IRS Lien

The U.S Internal Revenue Service (IRS) has a tax lien on the property that was transferred in 2012 from the Community Council of Southwest Texas Inc. Management has been in communication with the IRS attempting to negotiate the clearing of the lien. Management position is that this will be resolved in SWART's favor.

M. Restated Beginning Net Position

The beginning net position was restated as follows:

Net Position, August 31, 2024	$	3,975,677
Effect of GASB 101 Implementation		
Compensated Absences		(38,320)
Restated Net Position, August 31, 2024	$	3,937,357

SUPPLEMENTARY INFORMATION

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

SCHEDULE OF OPERATING PROGRAM EXPENSES BY FUND

For The Year Ended August 31, 2025

	RPT Federal	RPT State	State UZA	SEP State	Transit Support	Partners In Transit, Inc.	Total
EXPENSES							
SALARIES	$ 979,062	$ 261,386	$ 84,891	72,275	$ 357,948	$ -	$ 1,755,562
FRINGE BENEFITS	277,524	79,236	29,105	13,266	92,196	-	491,327
TOTAL PERSONNEL	1,256,586	340,622	113,996	85,541	450,144	-	2,246,889
AUDIT FEES	20,571	8,313	10,133	-	7,500	-	46,517
CONSULTANTS	55,357	-	-	-	-	-	55,357
TRAVEL/MEETING	39,620	15,521	6,271	-	63,383	-	124,795
TRAINING	40,569	2,289	955	-	19,074	-	62,887
UTILITIES	36,259	21,865	1,246	-	24,367	-	83,737
INSURANCE	39,686	19,097	1,770	-	26,147	-	86,700
CONTRACTUAL SERVICES	1,200	-	-	1,520	320	-	3,040
FUEL AND OIL	64,268	41,982	18,663	6,519	46,707	-	178,139
MAINTENANCE/REPAIR	20,024	5,619	2,095	-	34,845	-	62,583
EMPLOYEE INCENTIVE	4,367	2,982	-	-	5,277	-	12,626
FEES/DUES	7,319	4,492	81	-	7,621	-	19,513
RENTAL/LEASES	31,496	10,382	44,844	-	19,470	-	106,192
SUPPLIES & UNIFORMS	12,455	5,655	2,366	-	20,912	-	41,388
MISCELLANEOUS	88,519	-	-	-	13,453	-	101,972
VEHICLE PREVENTATIVE MAINT	70,321	18,145	12,408	5,022	28,246	-	134,142
BLDG MAINT AND REPAIR	2,146	629	39	-	1,662	-	4,476
AUTOMATION SERVICES	23,483	12,544	2,185	-	16,128	-	54,340
HARDWARE ACQUISITION	77,637	1,999	-	-	906	-	80,542
SOFTWARE FEES AND ACQUISITION	193,198	17,637	7,577	-	17,356	-	235,768
TOTAL TRANSPORTATION	2,085,081	529,773	224,629	98,602	803,518	-	3,741,603
DEPRECIATION	532,156	-	-	-	80,958	-	613,114
AMORTIZATION	13,385	2,012	-	-	3,427	-	18,824
TOTAL OPERATING EXPENSES	$ 2,630,622	$ 531,785	$ 224,629	$ 98,602	$ 887,903	$ -	$ 4,373,541

FEDERAL AWARDS SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Southwest Area Regional Transit District
Uvalde, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Southwest Area Regional Transit District (the District), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 28, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

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

Purpose of This Report

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

Garza Gonzalez
& Associates

April 28, 2026

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

To the Board of Directors
Southwest Area Regional Transit District
Uvalde, Texas

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited the Southwest Area Regional Transit District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the year ended August 31, 2025. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2025.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas Single Audit Circular. Our responsibilities under those standards, the Uniform Guidance and the State of Texas Single Audit Circular are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

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Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

Garza/Gonzalez & Associates

April 28, 2026

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended August 31, 2025

SECTION I --- SUMMARY OF AUDITOR'S RESULTS

Financial Statements		
Type of auditor's report issued:	Unmodified	
Internal control over financial reporting: • Material weakness(es) identified?	_____Yes	__X__No
• Significant deficiency(s) identified not considered to be material weaknesses?	_____Yes	__X__None Reported
Noncompliance material to financial statements noted?	_____Yes	__X__No

Federal and State Awards		
Internal control over major programs: ▪ Material weakness(es) identified?	_____Yes	__X__No
▪ Significant deficiency(s) identified not considered to be material weaknesses?	_____Yes	__X__None Reported
Type of auditor's report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section. 200.516(a) and the State of Texas Single Audit Circular?	_____Yes	__X__No

Identification of Major Federal Programs		
Assistance Listing Numbers(s)	**Name of Federal Program or Cluster**	
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	
Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	__X__Yes	____No

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended August 31, 2025

Identification of Major State Programs			
Assistance Listing Numbers(s)	**Name of State Program or Cluster**		
State	Rural State Program		
Dollar threshold used to distinguish between Type A and Type B programs:		$750,000	
Auditee qualified as low-risk auditee?		__X__ Yes	____No

SECTION II --- FINANCIAL STATEMENT FINDINGS

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards.*

SECTION III --- FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings and questioned costs required to be reported by the Uniform Guidance Section 200.516(a).

Schedule of Expenditures of Federal Awards

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended August 31, 2025

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation			
Passed Through Texas Department of Transportation			
Section 5304 Federal - Planning	20.505	51008021525	$ 40,000
Section 5304 Federal - Planning	20.505	51008031525	55,356
Total Assistance Listing Number 20.505			95,356
Section 5311 Federal - Formula Grants for Rural Areas	20.509	51018021525	971,067
Section 5311 Federal - Formula Grants for Rural Areas	20.509	51018022224	9,957
Section 5311 Federal - Formula Grants for Rural Areas	20.509	51R18011525	24,206
Section 5311 Federal - Formula Grants for Rural Areas	20.509	51R18021525	10,084
Section 5311 Federal - Formula Grants for Rural Areas	20.509	51003F13023	2,600
Section 5311 Federal - Formula Grants for Rural Areas	20.509	51018051525	83,269
Section 5311 Federal - Formula Grants for Rural Areas	20.509	51018041525	116,757
Section 5311 Federal - Formula Grants for Rural Areas	20.509	51018031525	197,860
Total Assistance Listing Number 20.509			1,415,800
Section 5310 Federal - Enhanced Mobility of Seniors & Individuals With Disabilities	20.513	51016053125	240,446
Section 5310 Federal - Enhanced Mobility of Seniors & Individuals With Disabilities	20.513	51016033125	430,792
Section 5310 Federal - Enhanced Mobility of Seniors & Individuals With Disabilities	20.513	51016012224	734,091
Total Assistance Listing Number 20.513			1,405,329
Section 5339 Federal - Bus and Bus Facilities Formula Program (Rural)	20.526	51003021525	128,088
Total Assistance Listing Number 20.526			128,088
Total Passed Through Texas Department of Transportation			3,044,573
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 3,044,573

Schedule of Expenditures of State Awards

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

SCHEDULE OF EXPENDITURES OF STATE AWARDS

For The Year Ended August 31, 2025

State Grantor/ Pass-Through Grantor/ Program or Cluster Title	Program Year	Pass-Through Entity Identifying Number		State Expenditures
Texas Department of Transportation				
Rural State Program (RUR 2502(15)	9/1/2024 - 8/31/2025	51218021525	$	534,674
Urban State Program (URB 2501(15)	9/1/2024 - 8/31/2025	51309011525		227,584
Service Expansion Program (SEP 2502(15)	9/1/2024 - 8/31/2026	51418021525		96,169
				858,427
TOTAL EXPENDITURES OF STATE AWARDS			$	858,427

SOUTHWEST AREA REAGIONAL TRANSIT DISTRICT
Uvalde, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For The Year Ended August 31, 2025

1. The District utilizes fund accounting for each of its grants. A separate fund is maintained for each grant.

   Federal and state grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Amounts reported in the schedule of expenditures of federal and state awards are based on billed expenditures. Difference between billed expenditures and actual expenditures consist of expenditures financed with program income and other local revenues.

2. The District's funds are accounted for using the full accrual basis of accounting.

3. The District does not have any subrecipients.

4. The District did not elect to use the 15% de minimus indirect cost rate provided for by the Uniform Guidance.

5. There were no outstanding loan guarantee programs during the year.

6. State financial assistance is subject to the requirements of the Uniform Grant Management Standards promulgated by the Texas Comptroller's office. Such requirements are consistent with those required under the Uniform Guidance and Government Auditing Standards, issued by the Comptroller General of the United States.

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended August 31, 2025

There were no prior audit findings reported.