

**WEST RIVER TRANSIT AUTHORITY, INC.
DBA PRAIRIE HILLS TRANSIT
(A NON-PROFIT ORGANIZATION)**

INDEPENDENT AUDITOR'S REPORTS,
FINANCIAL STATEMENTS, AND
SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2020

CASEY  **PETERSON**
Leading the Way.

RAPID CITY, SOUTH DAKOTA
GILLETTE, WYOMING

West River Transit Authority, Inc. dba Prairie Hills Transit
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September 30, 2020

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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*

Board of Directors
West River Transit Authority, Inc. dba Prairie Hills Transit
Spearfish, South Dakota

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 West River Transit Authority, Inc. dba Prairie Hills Transit (a nonprofit organization), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 14, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered West River Transit Authority, Inc. dba Prairie Hills Transit's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West River Transit Authority, Inc. dba Prairie Hills Transit's internal control. Accordingly, we do not express an opinion on the effectiveness of West River Transit Authority, Inc. dba Prairie Hills Transit'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether West River Transit Authority, Inc. dba Prairie Hills Transit'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Casey Peterson, LTD." The signature is written in a cursive style.

Casey Peterson, Ltd.

Rapid City, South Dakota
April 14, 2021

Independent Auditor's Report on Compliance for
Each Major Program and Report on Internal Control
over Compliance Required by the Uniform Guidance

Board of Directors
West River Transit Authority, Inc. dba Prairie Hills Transit
Spearfish, South Dakota

Report on Compliance for the Major Federal Program

We have audited West River Transit Authority, Inc. dba Prairie Hills Transit's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on West River Transit Authority, Inc. dba Prairie Hills Transit's major federal programs for the year ended September 30, 2020. West River Transit Authority, Inc. dba Prairie Hills Transit's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of West River Transit Authority, Inc. dba Prairie Hills Transit's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West River Transit Authority, Inc. dba Prairie Hills Transit's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of West River Transit Authority, Inc. dba Prairie Hills Transit's compliance.

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Opinion on Each Major Federal Program

In our opinion, West River Transit Authority, Inc. dba Prairie Hills Transit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control over Compliance

Management of West River Transit Authority, Inc. dba Prairie Hills Transit is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered West River Transit Authority, Inc. dba Prairie Hills Transit's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of West River Transit Authority, Inc. dba Prairie Hills Transit's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

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

Casey Peterson, LTD.

Casey Peterson, Ltd.

Rapid City, South Dakota
April 14, 2021

West River Transit Authority, Inc. dba Prairie Hills Transit
Schedule of Findings and Questioned Costs
September 30, 2020

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

- a. The Independent Auditor's Report expresses an unmodified opinion on the financial statements of West River Transit Authority, Inc. dba Prairie Hills Transit.
- b. No findings related to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance with Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- c. No instances of noncompliance material to the financial statements of the Organization, which are required to be reported in accordance with *Government Auditing Standards*, were noted during the audit.
- d. No instances of noncompliance or deficiencies in internal control over compliance related to the major federal programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by the Uniform Guidance.
- e. The independent auditor's report on compliance for the major federal award program of West River Transit Authority, Inc. dba Prairie Hills Transit expresses an unmodified opinion on each major federal program.
- f. No findings required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.
- g. The Organization's major programs for the year ended September 30, 2020 were:
 - Formula Grants for Rural Areas CFDA #20.509
 - Bus and Bus Facilities Formula Program CFDA #20.526
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. West River Transit Authority, Inc. dba Prairie Hills Transit did not qualify as a low-risk auditee.

FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENTS AUDIT

There were no findings related to the financial statement audit.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

There were no findings related to the major federal awards program audit.

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

FINDINGS - FINANCIAL STATEMENTS AUDIT

Significant Deficiency
Internal Control over Financial Reporting
Lack of Monthly and Year-end Reconciliations

2019-001 *Condition:* The Organization lacks an appropriate system of internal controls to ensure monthly and year-end reconciliations are properly performed as part of their monthly and year-end closing processes.

Criteria: Monthly and year-end financial statements should be presented on the full accrual basis of accounting in order to be in accordance with generally accepted accounting principles. Reconciliations should be performed by a qualified staff member and reviewed and approved by a member of management or a Board member capable of identifying errors. Performing an adequate closing process at month-end and year-end results in accurate financial reporting in accordance with generally accepted accounting principles.

Auditor's Recommendation: We recommend management develop a system of internal controls to ensure month-end and year-end entries and reconciliations are properly performed. We suggest comparing prior year and current year balances to ensure reasonableness and obtaining all necessary support to perform reconciliations. In addition, we recommend a staff member or Board member capable of identifying errors in reconciliations review the reconciliations monthly.

Current Status: This finding was resolved in the current year.

Independent Auditor's Report

Board of Directors
West River Transit Authority, Inc. dba Prairie Hills Transit
Spearfish, South Dakota

We have audited the accompanying financial statements of West River Transit Authority, Inc. dba Prairie Hills Transit (a nonprofit organization), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based 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 Accounting Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West River Transit Authority, Inc. dba Prairie Hills Transit as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the 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 14, 2021 on our consideration of West River Transit Authority, Inc. dba Prairie Hills Transit'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 to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 West River Transit Authority, Inc. dba Prairie Hills Transit's internal control over financial reporting and compliance.



Casey Peterson, Ltd.

Rapid City, South Dakota

April 14, 2021

FINANCIAL STATEMENTS

West River Transit Authority, Inc. dba Prairie Hills Transit
Statement of Financial Position
September 30, 2020

ASSETS

Cash and Cash Equivalents	\$ 1,519,327
Accounts Receivable, Net	417,083
Inventory	6,004
Certificates of Deposit	252,478
Long-term Investments	1,569,020
Related-party Receivable - Long-term	10,000
Property and Equipment, Net	4,462,011
Judgment Receivable, Net	16,324
Patronage Dividends Receivable	<u>10,667</u>

TOTAL ASSETS **\$ 8,262,914**

LIABILITIES AND NET ASSETS

Liabilities:

Accounts Payable	\$ 21,342
Accrued Payroll Liabilities	70,661
Accrued Leave Payable	58,376
Unearned Revenues	5,276
Security Deposit	100
Refundable Advance	<u>163,933</u>

Total Liabilities 319,688

Net Assets:

Without Donor Restrictions:	
Undesignated	6,365,237
Board-Designated	1,569,020
With Donor Restrictions	<u>8,969</u>

Total Net Assets 7,943,226

TOTAL LIABILITIES AND NET ASSETS **\$ 8,262,914**

The accompanying notes are an integral part of this statement.

West River Transit Authority, Inc. dba Prairie Hills Transit
Statement of Activities
For the Year Ended September 30, 2020

NET ASSETS WITHOUT DONOR RESTRICTIONS

Revenues and Other Support:	
Grants	\$ 2,484,564
Medical Transportation Contracts	474,978
Public Transportation Contracts	237,999
Contributions	219,900
Child Care Tuition	207,393
Investment Return, Net	50,622
Transit Fare Box Revenue	64,275
Meal Donations	7,061
Miscellaneous Income	4,375
Commissioned Ticket Sales	3,597
Interest Income	3,574
Rent	<u>900</u>
Total Revenue and Other Support	<u>3,759,238</u>
Expenses:	
Program Services:	
Transportation	1,652,372
Child Care	196,281
Supporting Services:	
Management and General	537,245
Fundraising	<u>14,853</u>
Total Expenses	<u>2,400,751</u>
Loss on Sale of Property and Equipment	10,292
Loss on Insurance Claim	<u>7,178</u>
Total Losses	<u>17,470</u>
Total Expenses and Losses	<u>2,418,221</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,341,017
NET ASSETS WITH DONOR RESTRICTIONS	
Grants	<u>8,969</u>
CHANGE IN NET ASSETS	1,349,986
NET ASSETS - BEGINNING	<u>6,593,240</u>
NET ASSETS - ENDING	<u><u>\$ 7,943,226</u></u>

The accompanying notes are an integral part of this statement.

West River Transit Authority, Inc. dba Prairie Hills Transit
Statement of Functional Expenses
For the Year Ended September 30, 2020

	Program Services		
	Transportation	Child Care	Total
Salaries	\$ 744,986	\$ 146,243	\$ 891,229
Depreciation and Amortization	378,417	4,095	382,512
Payroll Taxes and Benefits	111,383	14,289	125,672
Fuel	120,850	-	120,850
Insurance	101,828	5,167	106,995
Reimbursable Expenses	66,871	5,122	71,993
Utilities	27,598	5,237	32,835
Supplies	15,793	14,527	30,320
Repairs and Maintenance	39,775	271	40,046
Computer Service	21,960	-	21,960
Professional Fees	-	-	-
Contract Services	15,874	-	15,874
Dues and Licenses	4,296	-	4,296
Miscellaneous	-	-	-
Bank Charges and Credit Card Fees	-	-	-
Other Employee Costs	696	1,330	2,026
Advertising and Publications	-	-	-
Travel	770	-	770
In-kind Expense	1,275	-	1,275
	<u>\$ 1,652,372</u>	<u>\$ 196,281</u>	<u>\$ 1,848,653</u>

The accompanying notes are an integral part of this statement.

<u>Supporting Services</u>		
<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
\$ 378,233	\$ 13,417	\$ 1,282,879
-	-	382,512
44,006	1,436	171,114
-	-	120,850
-	-	106,995
-	-	71,993
32,521	-	65,356
15,023	-	45,343
327	-	40,373
9,820	-	31,780
28,287	-	28,287
3,369	-	19,243
5,152	-	9,448
7,068	-	7,068
5,161	-	5,161
2,972	-	4,998
4,664	-	4,664
642	-	1,412
-	-	1,275
<u>\$ 537,245</u>	<u>\$ 14,853</u>	<u>\$ 2,400,751</u>

The accompanying notes are an integral part of this statement.

West River Transit Authority, Inc. dba Prairie Hills Transit
Statement of Cash Flows
For the Year Ended September 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 1,349,986
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	382,512
Capital Assets Purchased on Behalf of the Organization	(565,288)
Loss on Disposal of Property and Equipment	10,292
Investment Fees Paid Using Investment Funds	13,997
Gain on Investments	(64,300)
(Increase) Decrease in:	
Accounts Receivable, Net	77,083
Judgment Receivable, Net	225
Certificates of Deposit	(252,478)
Inventory	(180)
Patronage Dividends Receivable	(604)
Increase (Decrease) in:	
Accounts Payable	(15,258)
Accrued Payroll Liabilities	(404)
Accrued Leave Payable	4,761
Unearned Revenue	(2,817)
Security Deposit	100
Refundable Advance	163,933
Net Cash Provided by Operating Activities	<u>1,101,560</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment	(152,771)
Purchase of Investments	<u>(725,000)</u>
Net Cash Used by Investing Activities	<u>(877,771)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

223,789

CASH AND CASH EQUIVALENTS - BEGINNING

1,295,538

CASH AND CASH EQUIVALENTS - ENDING

\$ 1,519,327

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Capital Assets Purchased on Behalf of the Organization	\$ <u><u>565,288</u></u>
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The accompanying notes are an integral part of this statement.

West River Transit Authority, Inc. dba Prairie Hills Transit
Notes to the Financial Statements
September 30, 2020

NOTE 1 - PURPOSE OF ORGANIZATION AND DESCRIPTION OF PROGRAMS

West River Transit Authority, Inc. dba Prairie Hills Transit (the Organization) is a non-profit organization classified by the Internal Revenue Services as tax-exempt under Section 501(c)(3). The Organization provides transportation and childcare services with the following programs:

Transportation - Prairie Hills Transit provides rural and specialized public transportation in various communities across western South Dakota. Transportation activities account for approximately 91% of the Organization's total revenues.

Child Care - Prairie Hills Child Care Center provides childcare services for ages six weeks to twelve years in Spearfish, South Dakota. Childcare activities account for approximately 9% of the Organization's total revenues.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America. Therefore, they reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to grantor or donor-imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and contingency fund.

Net Assets with Donor Restrictions - Net assets subject to grantor or donor-imposed restrictions. Donor-imposed restrictions are released when a restriction expires, when a stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. Cash allocated to the investment portfolio as part of the Organization's investment strategy is reported as investments.

Certificates of Deposit

Certificates of deposit bear interest at 0.45% and have an original maturity of one year with no material penalty for early withdrawal.

Accounts Receivable

Accounts receivable consists primarily of grant receivables from federal programs and program receivables from childcare tuition. An allowance for uncollectible accounts receivable is estimated based on potential collection problems identified by management. The allowance for doubtful accounts at September 30, 2020 was \$1,654. Accounts receivable will be charged off as uncollectible when management feels they have exhausted all reasonable collection efforts.

West River Transit Authority, Inc. dba Prairie Hills Transit
Notes to the Financial Statements
September 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Judgment Receivable

During the year ended September 30, 2017, the Organization was awarded restitution from a former employee by the Fourth Circuit Court of the South Dakota Unified Judicial System. The receivable related to this judgment was \$48,685 as of September 30, 2020. An allowance for uncollectible restitution is estimated based on potential collection problems identified by management. The allowance for uncollectible restitution at September 30, 2020 was \$32,361.

Unearned Revenue

The Organization reports transit and childcare funds received for services that have not yet been provided as unearned revenues.

Inventory

Inventory is stated at the lower of cost or realizable value. The cost valuation method is first-in, first-out.

Income Taxes

Tax positions initially need to be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the taxing authorities.

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Organization is not liable for income taxes if it operates within the confines of its exempt status. However, the Organization may be responsible for taxes on unrelated business activities. In the event of an examination of the income tax returns, the tax liability of the Organization could be changed if taxing authorities make adjustments to the tax-exempt purpose of the Organization or if taxing authorities determine activities are subject to unrelated business income.

As of September 30, 2020, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization's income tax filings are subject to audit by various taxing authorities. The Organization is no longer subject to federal and state income tax examinations by taxing authorities for fiscal years before 2017. Management continually evaluates expiring statutes of limitation, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Organization believes its estimates are appropriate based on current facts and circumstances. Interest and penalties assessed by income taxing authorities, if any, are included in interest expense.

Investments

The Organization reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations. The guidance prescribes that covered investments be reported in the Statement of Financial Position at fair value. Investment income is recognized as revenue in the period it is earned, and gains and losses are recognized as changes in net assets in the accounting period in which they occur. Net investment return (loss) is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

West River Transit Authority, Inc. dba Prairie Hills Transit
Notes to the Financial Statements
September 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets. Purchased property and equipment are carried at cost. Donated property and equipment are recorded as contributions or grant revenue at their estimated fair value at the date of the donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40 years
Building Improvements	15 years
Equipment	3 - 7 years

Patronage Dividends Receivable

Patronage dividends receivable represent equity allocated to the Organization by utility cooperatives. Patronage dividends receivable are accounted for at cost plus allocated equities and retirements. The cooperatives' patronage savings and losses vary from year to year and interim information is not available. Accordingly, patronage dividends are recognized upon declaration by the cooperatives, and allocation of savings or losses are recognized when notified by the cooperatives. Differences between estimated and actual amounts are accounted for when known.

Board-designated Net Assets

Board-designated net assets consist of investments designated by the Board of Directors as an operating fund and a contingency fund. The operating fund had a balance of \$246,197 and the contingency fund had a balance of \$1,322,823 as of September 30, 2020.

Revenue and Revenue Recognition

The Organization receives grant and contribution funding from various federal, state, and local agencies to provide transit and childcare services to the public. The Organization's grants and contributions are considered nonreciprocal transactions. Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. During the year ended September 30, 2020, the Organization received \$8,969 in donor-restricted grant funds that had not yet been spent.

The Organization recognizes contributions when cash or other assets is received. Conditional contributions, that is those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. As explained below, the Organization received PPP proceeds during the year ended September 30, 2020, for which a portion was repaid subsequent to year-end.

West River Transit Authority, Inc. dba Prairie Hills Transit
Notes to the Financial Statements
September 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A significant portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. As of September 30, 2020, the Organization had unexpended grants approximating \$2,702,000 that have not been recognized in the accompanying statement of activities because the conditions on which they depend have not yet been met.

The Organization also has multiple revenue streams which are accounted for as reciprocal exchange transactions including contracts and fares for transit rides, childcare tuition, childcare meal revenues, and rental income.

Medical Transportation Contracts - The Organization has agreements with the State of South Dakota for transportation to medical appointments for qualifying individuals receiving Title XIX (Medicaid) benefits, and with an area hospital for transportation of rural patients to and from medical appointments. The Organization bills monthly for specific trips after performance has been met. Revenues are based on rates set by Medicaid and the area hospital. Performance obligations are met at a point in time (when the transportation has been provided) and revenue is recognized at the time service is provided.

Public Transportation Billings - The Organization provides public transportation to customers and bills monthly for transportation services provided after performance has been met. Revenue is based on the Organization's established fares. Performance obligations are met at a point in time (when the transportation has been provided) and revenue is recognized at the time service is provided. Transit fares received in advance are reported as unearned revenue until the services are performed.

Transit Fare Box Revenue - The Organization collects fares from passengers for scheduled trips. Revenue is based on the Organization's established fares and is recognized at a point in time when the performance obligation of providing transportation has been met and payment has been placed into drivers' fare boxes.

Token Sales - The Organization allows for the purchase of tokens to use for payment of transportation. The Organization recognizes revenue from token sales at the time of sale, as opposed to at the time of performance obligation, as token sales are not material. Revenue from token sales is included with transit farebox revenue in the Statement of Activities.

Commissioned Ticket Sales - The Organization receives a commission for ticket sales for a national bus line. Commission is based on a set percentage of ticket sales. Commissions are billed weekly, the week after ticket sales occur. Revenue is recognized at the time of billing.

Childcare Tuition and Meal Revenues - Childcare tuition and meals are billed biweekly, in advance of the services being provided. The Organization's performance obligations are satisfied over time and performance is met when the childcare service has been rendered or the meal has been provided. Tuition and meal prices are based on set amounts for full or part-time enrollment. The Organization provides a discount to parents with multiple children in childcare, based on 5% of the oldest child's tuition. Tuition revenue is reported net of any discounts provided. The Organization also provides drop-in childcare services to parents. Drop-in childcare tuition is billed after the performance obligation has been satisfied. Tuition received in advance is reported as unearned revenue until the services are performed.

Rent Revenues - Rent revenues consist of payments received for the use of leased property owned by the Organization. Performance is met over time and revenue is recognized monthly as access and use of the space is provided to the lessee. Rent revenues are based on a set rental agreement price.

West River Transit Authority, Inc. dba Prairie Hills Transit
Notes to the Financial Statements
September 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following table provides information about significant changes in unearned revenue related to transit fares and childcare tuition received in advance.

Unearned Transit Fares and Childcare Tuition, Beginning of Year	\$ 8,093
Revenue Recognized that Was Included in Unearned Transit Fares and Childcare Tuition at Beginning of Year	(5,013)
Increase in Unearned Transit Fares and Childcare Tuition, Due to Cash Received During the Year	<u>2,196</u>
Unearned Transit Fares and Childcare Tuition, End of Year	<u>\$ 5,276</u>

Forgivable Loans Received Under the Small Business Administration Paycheck Protection Program

In response to the coronavirus (COVID-19) pandemic, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. During the year ended September 30, 2020, the Organization obtained a PPP loan for \$255,965. Subsequent to year-end, the Organization received forgiveness of \$92,032 of the loan with repayment of the remaining \$163,933 occurring in December 2020. The Organization has recognized the forgiven portion as revenue as grant revenues in the Statement of Activities and the non-forgiven portion as refundable advance in the Statement of Financial Position as of September 30, 2020.

In-Kind Contributions

Contributed goods and services are recorded at fair value at the date of donation. During the year ended September 30, 2020, the Organization received donated services in the amount of \$1,275.

Advertising Costs

The Organization's policy is to expense advertising costs as they are incurred. Advertising costs for the year ended September 30, 2020 were \$4,664.

Impairment of Long-lived Assets

In accordance with the provisions of accounting for the impairment or disposal of long-lived assets, the Organization reviews long-lived assets for impairments when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. During the year ended September 30, 2020, the Organization determined no long-lived assets had been impaired.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

West River Transit Authority, Inc. dba Prairie Hills Transit
Notes to the Financial Statements
September 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity

Assets and liabilities are presented in the order of liquidity in the Statement of Financial Position. Any further restrictions are disclosed in the notes to the financial statements.

Accounting 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 disclosures of contingent matters at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In February 2016, the FASB issued (ASU) 2016-02, Leases. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2020. The Organization has not yet implemented this ASU and is in the process of assessing the effect on the Organization's financial statements.

Accounting Pronouncements Adopted

Effective October 1, 2019, the Organization early adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) and related amendments, which creates a single source of revenue guidance for all companies in all industries and is more principles-based than previous revenue guidance. Under ASU 2014-09, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods and services. The Organization adopted the standard using the modified retrospective approach. Results for reporting periods beginning after October 1, 2019 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with historic accounting under Topic 605. The adoption of this standard did not result in significant changes to the Organization's accounting policies, business processes, systems, or controls, or have a material impact on its financial position, results of operations, or cash flows. The adoption of ASU 2014-09 resulted in changes to the disclosure of revenue. There was no cumulative effect adjustment necessary upon adoption.

In June 2018, the FASB issued (ASU) 2018-08, Not-for-Profit Entities: Topic 958. The amendments in this Update provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional. The adoption of this standard did not result in material changes to the recognition or presentation of revenue. The Organization implemented this ASU effective October 1, 2019.

West River Transit Authority, Inc. dba Prairie Hills Transit
Notes to the Financial Statements
September 30, 2020

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial Assets Available for Use:	
Cash and Cash Equivalents	\$ 1,519,327
Accounts Receivable, Net	417,083
Certificates of Deposit	252,478
Long-term Investments	1,569,020
	<u>\$ 3,757,908</u>

The Organization's assets available for use consist of cash in bank, certificates of deposit, investment funds, and receivables expected to be collected currently. Management believes accounts receivable are collectible. There is a possibility that the collection of some balances could range from 30-90 days. Annual revenues are generally sufficient to support the Organization's operations.

The Organization's Board-designated net assets of \$1,569,020 consist of operating and contingency funds as described in Note 2. Although the Organization does not intend to spend from these funds, these amounts can be made available for general use at the discretion of the Board.

NOTE 4 - INVENTORIES

Inventories consisted of \$6,004 in fleet supplies as of September 30, 2020.

NOTE 5 - FAIR VALUE MEASUREMENTS

The Organization classifies assets and liabilities measured at fair market value within a hierarchy based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources, while unobservable inputs reflect estimates about market data. The three-level fair value hierarchy is defined as follows:

Level I - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Organization has the ability to access as of the measurement date. The type of investments that would generally be included in Level I include listed equities and listed derivatives.

Level II - Significant other observable inputs other than Level I prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data. Investments that are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities, and mutual funds.

Level III - Significant unobservable inputs that reflect the Organization's assumptions about the assumptions that market participants would use in pricing an asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

West River Transit Authority, Inc. dba Prairie Hills Transit
Notes to the Financial Statements
September 30, 2020

NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following are descriptions of the valuation methods and assumptions used by the Organization to estimate fair values of certain financial instruments:

Equities - These funds consist of publicly traded securities that are readily marketable. Fair value is determined by obtaining quoted prices on nationally recognized securities exchanges (Level I inputs).

Fixed Income Securities - The Organization invests in only investment-grade fixed-income securities with a maximum maturity of 10 years or less. The fair values of these investments are readily marketable and are determined by obtaining quoted prices on a nationally recognized securities exchange (Level I inputs).

Interval Funds - Interval funds price daily; however, are not listed on an exchange. Interval funds offer periodic repurchase on a quarterly basis and the underlying assets have less liquidity than traditional publicly traded assets (Level II inputs).

The following table presents the assets measured at fair value on a recurring basis as of September 30, 2020, on the accompanying Statement of Financial Position by fair value hierarchy, as described above.

	Level I	Level II	Total
Cash and Cash Equivalents	\$ 39,849	\$ -	\$ 39,849
Equities	357,096	-	357,096
Fixed Income Securities	768,420	-	768,420
Interval Funds	-	403,655	403,655
	<u>\$ 1,165,365</u>	<u>\$ 403,655</u>	<u>\$ 1,569,020</u>

There were no Level III investments as of September 30, 2020. The Organization carried no other assets or liabilities measured at fair value on a recurring or non-recurring basis as of September 30, 2020.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the Statement of Financial Position.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30, 2020:

Land	\$ 385,451
Buildings	3,899,963
Building Improvements	415,486
Equipment	<u>3,785,907</u>
	8,486,807
Less: Accumulated Depreciation	<u>(4,024,796)</u>
Net Property and Equipment	<u>\$ 4,462,011</u>

The land, building, and several of the vehicles were acquired with federal grants. The land, building, and vehicles are considered owned by the Organization while the items continue to be used within the transportation program for which they were purchased or in future authorized programs.

West River Transit Authority, Inc. dba Prairie Hills Transit
Notes to the Financial Statements
September 30, 2020

NOTE 6 - PROPERTY AND EQUIPMENT (CONTINUED)

Payments made from a granting agency on behalf of the Organization to vendors are included in grant revenue in the Statement of Activities, are included in the Statement of Cash Flows, and are capitalized. The total amount of payments made directly to vendors from a granting agency was \$565,288 during the year ended September 30, 2020.

NOTE 7 - RELATED-PARTY TRANSACTIONS

A board member of the Organization is a representative on the Board of Black Hills Transit. Black Hills Transit is a non-profit organization organized to provide transportation service to the larger population areas that cannot be served by the Organization. During the year ended September 30, 2016, the Organization loaned Black Hills Transit \$10,000 on a long-term basis. This is recorded in accounts receivable at year-end. This receivable is non-interest bearing and will be repaid as Black Hills Transit has available cash flow. There were no loan payments received during the year ended September 30, 2020.

NOTE 8 - COMPENSATED ABSENCES

Employees of the Organization are entitled to paid time off based on job classification, length of service, and other factors. The paid time off, which is reported as Accrued Leave Payable, is recorded as a liability in the financial statements as it is vested and will be paid upon use or termination of employment.

The Organization previously offered an extended leave program, under which employees accrued extended sick leave based on specific criteria. The program was discontinued in August 2013. Employees may no longer accrue hours under this program. The use of the remaining extended leave hours is restricted based on defined criteria and is not payable upon termination of employment. Accordingly, no liability for the extended leave has been recorded in the financial statements. It is the policy of the Organization to recognize the costs of extended leave when paid to the employees upon use. The Organization estimated the value of the extended leave liability was \$19,076 as of September 30, 2020.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of \$8,969 in remaining grant funds which are restricted for use in paying childcare staff salaries, utilities, and cleaning supplies.

NOTE 10 - CONCENTRATIONS

As of September 30, 2020, the Organization had amounts on deposit at certain financial institutions in excess of the insurance limits provided by the Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses in such accounts. The Organization monitors the financial stability of financial institutions regularly and management does not believe there is significant credit risk associated with deposits in excess of federally insured amounts.

A significant portion of the Organization's revenues consists of government grants. Therefore, its funding is vulnerable to changes in the legislative priorities of federal and state governments. Approximately 67% of the Organization's support came from federal, state, and local government agencies for the year ended September 30, 2020.

West River Transit Authority, Inc. dba Prairie Hills Transit
Notes to the Financial Statements
September 30, 2020

NOTE 11 - JOINT AGREEMENTS WITH SURROUNDING COMMUNITIES

The Organization is a party to agreements between the State and other entities in surrounding communities for the use of transit facilities in Sturgis, South Dakota; Custer, South Dakota; Belle Fourche, South Dakota; and Martin, South Dakota. In prior years, the State of South Dakota Department of Transportation provided federal grant funds for the construction of facilities. The recipient entities provided land as matching funds for the grants. The transit facilities are restricted for use in providing public transportation services meeting the needs of citizens in the community. The Organization uses transit facilities to provide public transportation services to citizens in the communities.

NOTE 12 - UNCERTAINTIES, CONTINGENCIES, AND RISKS

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. The extent of the impact of COVID-19 on the Organization's operations will depend on certain developments, including the duration and spread of the outbreak, impact on customers and employees, all of which are uncertain and cannot be predicted. The Organization has experienced an 85% reduction in ridership related to the pandemic. However, the Organization received additional grant funding through the CARES Act Section 5311 Rural Area Apportionment. The Organization also received a Payroll Protection Program loan to cover wages, benefits, and utilities related to childcare operations. There has been no immediate impact on the Organization's operations. However, there is a possibility that operations could be negatively impacted.

NOTE 13 - SUBSEQUENT EVENTS

As explained in Note 2, the Organization received forgiveness of \$92,032 of the PPP loan and repaid the remaining \$163,933 in December 2020.

Subsequent events were evaluated through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**West River Transit Authority, Inc. dba Prairie Hills Transit
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020**

CFDA Numbers	Major Program	Cluster/Program Name	Pass-through Entity	Pass-through Entity Identifying Number	Amount
<u>U.S. Department of Transportation</u>					
<i>Federal Transit Cluster</i>					
20 . 526	Y	Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	SD Department of Transportation	Note 5	\$ 368,181
Total Federal Transit Cluster					<u>368,181</u>
<i>Transit Services Programs Cluster</i>					
20 . 513	N	Enhanced Mobility of Seniors and Individuals with Disabilities	SD Department of Transportation	Note 6	243,459
Total Transit Services Programs Cluster					<u>243,459</u>
20 . 509	Y	Formula Grants for Rural Areas and Tribal Transit Program (Note 3)	SD Department of Transportation	Note 7	1,582,892
20 . 514	N	Public Transportation Research	SD Department of Transportation	811303	5,594
Total U.S. Department of Transportation					<u>2,200,126</u>
<u>U.S. Department of Agriculture</u>					
10 . 558	N	Child and Adult Care Food Program (CACFP) (Note 3)	SD Department of Education	4040400	1,822
Total U.S. Department of Agriculture					<u>1,822</u>
<u>U.S. Department of Health and Human Services</u>					
<i>Aging Cluster</i>					
93 . 044	N	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers (Note 3)	SD Department of Human Services	811780	59,355
Total Aging Cluster					<u>59,355</u>
<i>Child Care and Development Fund (CCDF) Cluster</i>					
93 . 575	N	Child Care and Development Block Grant Cares Act COVID19	SD Department of Social Services	2001SDCCC3	3,271
Total Child Care and Development Fund (CCDF) Cluster					<u>3,271</u>
Total U.S. Department of Health and Human Services					<u>62,626</u>
Total Federal Financial Assistance					<u>\$ 2,264,574</u>

See independent auditor's report.

NOTE 1: This schedule of expenditures of federal awards includes the federal grant activity of West River Transit Authority, Inc. dba Prairie Hills Transit and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, preparation of the basic financial statements.

NOTE 2: West River Transit Authority, Inc. dba Prairie Hills Transit did not elect to use the 10% de minimis indirect cost rate.

NOTE 3: Federal reimbursements are not based upon specific expenditures; therefore, the amounts reported here represent cash received rather than federal expenditures.

NOTE 4: West River Transit Authority, Inc. dba Prairie Hills Transit has not passed any awards through to subrecipients.

NOTE 5: Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Programs pass-through entity identifying numbers include 811651, 811652, 811655, 811656, 811657, 811658, 811763, 811814, 811815, 811818, and 811819.

NOTE 6: Enhanced Mobility of Seniors and Individuals with Disabilities pass-through entity identifying numbers include 811599 and 811745.

NOTE 7: Formula Grants for Rural Areas and Tribal Transit Program pass-through entity identifying numbers include 811780, 811873, SD-1160-2019-4, and SD-2020-007.

See independent auditor's report.