

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

Financial Statements

September 30, 2025



West River Transit Authority, Inc. dba Prairie Hills Transit
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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of West River Transit Authority, Inc. dba Prairie Hills Transit (a non-profit organization) (the Organization), which comprise the statement of financial position as of September 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2025, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Organization 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 opinion.

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 Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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 opinion. 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 GAAS 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 GAAS 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 Organization'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 Organization'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.

Supplementary 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Prior Audit Findings and Questioned Costs and the Corrective Action Plan (Unaudited) but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2026 on our consideration of the Organization'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 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 the Organization's internal control over financial reporting and compliance.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota

March 24, 2026

FINANCIAL STATEMENTS

West River Transit Authority, Inc. dba Prairie Hills Transit
Statement of Financial Position
September 30, 2025

ASSETS

Cash and Cash Equivalents	\$ 1,091,147
Accounts Receivable, Net of Allowance for Credit Losses of \$1,654	805,403
Inventory	10,202
Certificates of Deposit	816,319
Investments	3,080,217
Related-party Receivable - Long-term	10,000
Judgment Receivable, Net of Allowance for Credit Losses of \$32,361	15,499
Patronage Dividends Receivable	10,983
Property and Equipment, Net	<u>6,644,569</u>

TOTAL ASSETS **\$ 12,484,339**

LIABILITIES AND NET ASSETS

Liabilities:

Accounts Payable	\$ 210,072
Lease Liability - Finance Leases	2,242
Lease Liability - Operating Leases	99,719
Accrued Payroll Liabilities	65,908
Accrued Leave Payable	88,143
Retainage Payable	135,256
Unearned Revenue	<u>36,864</u>

Total Liabilities 638,204

Net Assets:

Without Donor Restrictions:

Undesignated	8,765,918
Board-designated	<u>3,080,217</u>

Total Net Assets 11,846,135

TOTAL LIABILITIES AND NET ASSETS **\$ 12,484,339**

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, 2025

NET ASSETS WITHOUT DONOR RESTRICTIONS

Revenue, Gains, and Other Support:

Grants	\$ 3,546,634
Medical Transportation Contracts	641,360
Public Transportation Contracts	607,395
Childcare Tuition	513,773
Net Investment Return	195,786
Contributions - Cash	165,445
Transit Fare Box Revenue	126,496
Miscellaneous Income	43,039
Interest Income	37,361
Meal Donations	35,722
Contributions - Gifts-in-kind	34,781
Gain on Sale of Property and Equipment	18,957
Commissioned Ticket Sales	4,444
Net Assets Released from Restrictions (Childcare)	500
Rent	<u>60</u>
Total Revenue, Gains, and Other Support	<u>5,971,753</u>

Expenses:

Program Services:

Transportation	3,187,647
Child Care	430,175

Supporting Services:

Management and General	732,848
Fundraising	<u>20,913</u>

Total Expenses	4,371,583
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Losses:

Loss on Insurance Claim	<u>334</u>
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Total Expenses and Losses	<u>4,371,917</u>
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CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,599,836
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NET ASSETS WITH DONOR RESTRICTIONS

Net Assets Released from Restrictions (Childcare)	<u>(500)</u>
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TOTAL CHANGE IN NET ASSETS	1,599,336
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NET ASSETS - BEGINNING	<u>10,246,799</u>
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NET ASSETS - ENDING	<u><u>\$ 11,846,135</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
Statement of Functional Expenses
For the Year Ended September 30, 2025

	Program Services			Supporting Services		Total
	Transportation	Childcare	Total	Management and General	Fundraising	Expenses
Salaries	\$ 1,272,343	\$ 301,101	\$ 1,573,444	\$ 467,596	\$ 17,410	\$ 2,058,450
Depreciation and Amortization	712,109	490	712,599	-	-	712,599
Reimbursable Expenses	412,289	7,905	420,194	43,682	-	463,876
Payroll Taxes and Benefits	209,473	27,190	236,663	60,901	3,503	301,067
Fuel	220,465	-	220,465	-	-	220,465
Insurance	170,070	4,525	174,595	2,902	-	177,497
Contract Service	118,960	1,277	120,237	7,700	-	127,937
Supplies	9,530	62,475	72,005	11,762	-	83,767
Utilities	29,408	16,536	45,944	27,982	-	73,926
Professional Fees	-	371	371	46,190	-	46,561
Dues and Licenses	7,131	4,417	11,548	15,192	-	26,740
Miscellaneous	467	-	467	24,045	-	24,512
Repairs and Maintenance	16,368	-	16,368	226	-	16,594
Computer Services	6,970	1,275	8,245	7,192	-	15,437
Bank Charges and Credit Card Fees	-	1,510	1,510	6,266	-	7,776
Travel	863	-	863	4,907	-	5,770
Other Employee Costs	80	1,103	1,183	4,501	-	5,684
Advertising/Publications	-	-	-	1,804	-	1,804
In-kind Expense	1,121	-	1,121	-	-	1,121
	<u>\$ 3,187,647</u>	<u>\$ 430,175</u>	<u>\$ 3,617,822</u>	<u>\$ 732,848</u>	<u>\$ 20,913</u>	<u>\$ 4,371,583</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, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 1,599,336
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation and Amortization	712,599
Capital Assets Purchased on Behalf of the Organization	(1,260,796)
Gain on Sale of Property and Equipment	(18,957)
Investment Fees Paid Using Investment Funds	27,610
Interest on Certificates of Deposit	(30,725)
Investment Gain	(207,656)
(Increase) Decrease in:	
Accounts Receivable	(433,676)
Inventory	373
Patronage Dividends Receivable	62
Increase (Decrease) in:	
Accounts Payable	154,667
Accrued Payroll Liabilities	(83,443)
Accrued Leave Payable	(11,884)
Unearned Revenue	<u>3,295</u>
Net Cash Provided by Operating Activities	<u>450,805</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment	(893,893)
Proceeds from Sale of Property and Equipment	22,217
Redemption of Certificates of Deposit	<u>250,000</u>
Net Cash Used by Investing Activities	<u>(621,676)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS (170,871)

CASH AND CASH EQUIVALENTS - BEGINNING 1,262,018

CASH AND CASH EQUIVALENTS - ENDING \$ 1,091,147

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Capital Assets Purchased on Behalf of the Organization	<u>\$ 1,260,796</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, 2025

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 Service 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 90% of the Organization's total revenues.

Childcare - Prairie Hills Child Care Center provides childcare services for ages six weeks to twelve years in Spearfish, South Dakota. Childcare activities account for approximately 10% 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 are subject to grantor or donor-imposed restrictions. Donor-imposed restrictions are released when a restriction expires or when a stipulated purpose for which the resource was restricted has been fulfilled or both.

The Organization reports contributions restricted by donors or grantors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or a 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, depending on the nature of the 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. When both net assets with donor restrictions and without donor restrictions are available for use, it is the Organization's policy to use net assets with donor restrictions first, then net assets without donor restrictions as needed.

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 ranging from 2% to 4% and have an original maturity of one year with no material penalty for early withdrawal.

West River Transit Authority, Inc. dba Prairie Hills Transit
Notes to the Financial Statements
September 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable consist primarily of grant receivables from federal programs and program receivables from childcare tuition and transportation charges. Accounts receivable are recorded at the amount management expects to collect at the time services are rendered. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. The Organization uses historical loss information based on the aging of receivables as the basis to determine expected credit losses for receivables and believes that the composition of receivables at year-end is consistent with historical conditions, as payment terms and practices and the client base have not changed significantly. However, the current unemployment rate is at 4.3% and is based on reasonable and supportable forward-looking information. Management expects unemployment rates to increase over the next one to two years. Based on this information, management believes the Organization is likely to experience 0.25% higher credit losses than historically experienced. As such, management increased the credit loss percentages in each aging category by 0.25% to calculate expected credit losses. Interest is not charged on past-due balances.

Accounts Receivable, Net - Beginning	\$	371,727
Accounts Receivable, Net - Ending	\$	805,403

Allowance for Expected Credit Losses

The allowance for expected credit losses is estimated using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Management considers specific risk characteristics such as days past due and changes in economic and business conditions. The allowance is measured on a collective pool basis where similar risk characteristics exist. The Organization has identified the following segments: transit trade receivables, childcare trade receivables, contracted transportation receivables, and electric cooperative capital credits receivable. The Organization has the following activity for its allowance for credit losses for accounts receivable for the year ended September 30, 2025:

Beginning Balance	\$	1,654
Provision for Expected Credit Losses		74
Write-offs		<u>(74)</u>
Ending Balance	\$	<u>1,654</u>

The Organization believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses, as the Organization's receivables have remained consistent in nature and amount. Receivables are written off as a charge to the allowance for credit losses when management determines the receivable will not be collected. Changes in the valuation allowance have not been material to the financial statements. Payments are generally collected within 90 days of the billing date. Interest is not charged on past-due balances. For the year ended September 30, 2025, the allowance was \$1,654.

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 \$47,860 as of September 30, 2025. The amount expected to be received and recorded as receivable for the year ended September 30, 2025 was \$15,499.

West River Transit Authority, Inc. dba Prairie Hills Transit
Notes to the Financial Statements
September 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 is recognized when notified by the cooperatives. Differences between estimated and actual amounts are accounted for when known.

Unearned Revenue

The Organization reports transit and childcare funds received for services that have not yet been provided as unearned revenues. The Organization is also the recipient of grants that require expenditure for specified activities before the Organization is reimbursed by the grantor for the costs incurred.

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

Unearned Transit Fares, Childcare Tuition, and Grant Revenue - Beginning	\$ 33,569
Revenue Recognized for Transit Fares, Childcare Tuition, and Grant Revenue	(34,399)
Increase in Unearned Transit Fares and Childcare Tuition	
Due to Cash Received During the Year	<u>37,694</u>
Unearned Transit Fares, Childcare Tuition, and Grant Revenue - Ending	<u>\$ 36,864</u>

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, 2025, 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 2022. 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.

West River Transit Authority, Inc. dba Prairie Hills Transit
Notes to the Financial Statements
September 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 on 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 on 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.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$5,000 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
Vehicles	4 - 10 years
Right-of-use Assets	5 - 40 years

Property and equipment are evaluated for impairment if the use of the asset significantly changes, or another indicator of possible impairment is noted. If the carrying value of the asset is not recoverable, the value is decreased to the asset's fair value. There were no indicators of asset impairment during the year ended September 30, 2025.

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 a 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 on the Statement of Activities as net assets released from restrictions. During the year ended September 30, 2025, the Organization released from restrictions \$500 in donor-restricted contributions, which is reported as net assets without donor restrictions.

West River Transit Authority, Inc. dba Prairie Hills Transit
Notes to the Financial Statements
September 30, 2025

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. Amounts received prior to incurring qualifying expenditures are reported as unearned revenue on the Statement of Financial Position. As of September 30, 2025, the Organization had unexpended grants approximating \$292,542 that have not been recognized on 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 Contracts - 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 advance purchase of tokens for payment of transportation. The Organization recognizes revenue from token sales at the time of performance obligation (when transportation has been provided). The Organization records unearned revenue when customers purchase tokens and recognizes revenue as tokens are collected for transportation fares. Revenue from token sales is included with transit fare box revenue on 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.

West River Transit Authority, Inc. dba Prairie Hills Transit
Notes to the Financial Statements
September 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

In-kind Contributions

Contributions of in-kind gifts are recorded at the fair market value of the goods or services on the date received. Contributed services that create or enhance a non-financial asset or those that require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not contributed are recorded at their fair value in the period received.

Advertising Costs

The Organization's policy is to expense advertising costs as they are incurred. Advertising costs for the year ended September 30, 2025 were \$1,804.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis on 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.

Liquidity

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

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use assets and lease liabilities on the Statement of Financial Position except for leases with an initial lease term of less than 12 months, for which the Organization has made the short-term lease election.

Lease right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. Right-of-use assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the Organization's estimated incremental borrowing rate. Right-of-use assets are amortized over the life of the lease. Operating lease expense is recognized on a straight-line basis over the lease term. Lease and non-lease components of lease agreements are accounted for separately. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option.

The Organization does not report right-of-use assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments on those leases are reported as lease expense on a straight-line basis over the lease term.

The Organization does have leases requiring recognition under FASB ASC 842 for the year ended September 30, 2025, which are reported in Note 14.

West River Transit Authority, Inc. dba Prairie Hills Transit
Notes to the Financial Statements
September 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 3 - LIQUIDITY AND AVAILABILITY

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

Financial Assets Available for Use:	
Cash and Cash Equivalents	\$ 1,091,147
Accounts Receivable, Net	805,403
Certificates of Deposit	816,319
Investments	3,080,217
	<u>\$ 5,793,086</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 to 90 days. Annual revenues are generally sufficient to support the Organization's operations. As explained in Note 13, the governing board has chosen to set aside the total balance of investments for capital preservation and liquidity. The Organization does not intend to spend these funds for operations, but cash can be made available at the board's discretion.

NOTE 4 - INVENTORY

Inventory consisted of \$10,202 in fleet supplies as of September 30, 2025.

NOTE 5 - FAIR VALUE MEASUREMENTS

In accordance with accounting principles generally accepted in the United States of America, certain assets and liabilities are required to be measured at fair value on a recurring basis. For the Organization, the assets that are adjusted to fair value on a recurring basis are limited to the investments held by the Organization. The Organization has no liabilities recorded at fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure the fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 - Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2 - Includes inputs other than Level 1 that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

West River Transit Authority, Inc. dba Prairie Hills Transit
Notes to the Financial Statements
September 30, 2025

NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 - Unobservable inputs, which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, such as bid/ask spreads and liquidity discounts. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value, on a recurring basis. There have been no changes to the methodologies used at September 30, 2025.

Equities - These funds consist of publicly traded securities that are priced by an investment manager or custodian with reference to available quotations for identical assets.

Alternatives/Mutual Funds - These funds are valued at the closing market prices of shares on the last trading day of the fiscal year, which is the basis for transactions at September 30, 2025.

Fixed-income Securities - Many fixed-income securities do not trade on a daily basis so, in the absence of available quotations for identical assets, must be valued using other methods. These securities are valued by the custodian through the use of outside pricing services. Such services employ pricing models and applications incorporating inputs such as security quality, cash flow, maturity and coupon, supplemental research and evaluation, and review of recent broker-dealer market price quotations for similar securities.

The fair value of each financial instrument in the table below was measured using input guidance and valuation techniques. The following table sets forth the inputs used and the estimated fair values of financial instruments at September 30, 2025:

	<u>Level I</u>	<u>Total</u>
Investments Measured at Fair Value:		
Fixed Income:		
Fixed Income Equities:		
Corporate Bonds	\$ 245,697	\$ 245,697
Fixed Income Mutual Funds:		
Intermediate Core-Plus Bond	117,277	117,277
US Fund Long Government	44,774	44,774
US Fund Intermediate Government	284,003	284,003
US Fund Corporate Bond	174,865	174,865
Short Term Inflation Protected Bond	47,542	47,542
High Yield Bond	162,052	162,052
Preferred Stock	17,201	17,201

West River Transit Authority, Inc. dba Prairie Hills Transit
Notes to the Financial Statements
September 30, 2025

NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)

	<u>Level I</u>	<u>Total</u>
Equities:		
Domestic Equities:		
US Fund Large Cap Blend	305,201	305,201
US Fund Mid Cap Blend	62,715	62,715
US Fund Small Cap Blend	31,133	31,133
International Equities:		
Diversified Emerging Markets Large Cap Blend	88,082	88,082
Foreign Large Cap Blend	69,990	69,990
Foreign Mid/Small Cap Blend	27,412	27,412
US Fund Foreign Large Blend	25,192	25,192
Alternatives:		
Alternative Mutual Funds:		
Mid Cap Value	30,865	30,865
Small Cap Value	51,032	51,032
Real Estate	62,636	62,636
Mutual Funds:		
Domestic Mutual Funds:		
US Balance/Asset Allocation	237,670	237,670
Large Cap Blend	119,626	119,626
Bank Loan	80,101	80,101
Intermediate/Long-term High Quality Bond	298,889	298,889
International Mutual Funds:		
Large Cap Blend	62,754	62,754
Strategic Income	<u>348,079</u>	<u>348,079</u>
Total Investments Measured at Fair Value	2,994,788	2,994,788
Investments Measured at Cost:		
Cash and Cash Equivalents	<u>-</u>	<u>85,429</u>
Total Investments	<u>\$ 2,994,788</u>	<u>\$ 3,080,217</u>

There were no Level II or Level III investments as of September 30, 2025. The Organization carried no other assets or liabilities measured at fair value on a recurring or non-recurring basis as of September 30, 2025.

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 on the Statement of Financial Position.

West River Transit Authority, Inc. dba Prairie Hills Transit
Notes to the Financial Statements
September 30, 2025

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30, 2025:

Land	\$ 589,251
Buildings	3,916,617
Building Improvements	448,842
Equipment	1,890,685
Vehicles	4,166,207
ROU Asset - Finance Leases	3,664
ROU Asset - Operating Leases	102,584
Construction in Progress	1,511,966
	<u>12,629,816</u>
Less: Accumulated Amortization	(4,762)
Less: Accumulated Depreciation	<u>(5,980,485)</u>
Net Property and Equipment	<u>\$ 6,644,569</u>

The land, buildings, and several vehicles were acquired with federal grants. The land, buildings, 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.

Payments for capital assets made from a granting agency on behalf of the Organization to vendors are included in grant revenue on the Statement of Activities, are included on the Statement of Cash Flows, and are capitalized. The total amount of payments made directly to vendors from a granting agency was \$1,260,796 during the year ended September 30, 2025.

The Organization is in the process of constructing one building. The project is in Rapid City, South Dakota. As of September 30, 2025, construction in progress includes retainage payable of \$135,256, which is expected to be paid upon completion of the project. Construction costs to date for the project, which have been capitalized as construction in progress, are \$1,376,710 as of September 30, 2025. Total expected costs for the Rapid City project are \$1,503,563, with estimated costs of completion of \$127,000. The Organization expects the project to be completed in 2026.

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 services 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, 2025.

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.

West River Transit Authority, Inc. dba Prairie Hills Transit
Notes to the Financial Statements
September 30, 2025

NOTE 8 - COMPENSATED ABSENCES (CONTINUED)

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 \$15,772 as of September 30, 2025.

NOTE 9 - CONCENTRATIONS

As of September 30, 2025, 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 62% of the Organization's support came from federal, state, and local government agencies for the year ended September 30, 2025.

NOTE 10 - EMPLOYEE BENEFIT PLAN

On January 3, 2022, the Organization adopted a 401(k) Retirement Plan, an Internal Revenue Code Section 401(k) defined contribution plan. Employees may contribute through an elective salary reduction. Employees must complete one year of service and 1,000 hours and attain the age of 21 before they are eligible to participate.

The Organization can make a matching contribution of up to 6% of the employee's salary. Matching contributions to the plan were \$49,659 for the year ended September 30, 2025.

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; and Belle Fourche, 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 to meet the needs of citizens in the community. The Organization uses transit facilities to provide public transportation services to citizens in the communities.

NOTE 12 - CONTRIBUTED NONFINANCIAL ASSETS

As described in Note 2, contributed services and in-kind contributions that create or enhance a non-financial asset or those that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not contributed, and are recorded at their fair value in the period received. The Organization's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by an appraisal or specialist, depending on the type of asset.

West River Transit Authority, Inc. dba Prairie Hills Transit
Notes to the Financial Statements
September 30, 2025

NOTE 12 - CONTRIBUTED NONFINANCIAL ASSETS (CONTINUED)

During the year ended September 30, 2025, the Organization received contributed nonfinancial assets of \$34,781. The Organization received a discount on software in the amount of \$33,660 and tires in the amount of \$1,121. The software will be used to carry out the objectives of the Enhanced Mobility of Seniors and Individuals with Disabilities (ICAM) Program. The tires were received to carry out the objectives of the Bus and Bus Facilities Formula Program. Based on current market rates for these services, the Organization would have paid \$34,781 for the year ended September 30, 2025. Donated assets provided for the ICAM Program and Bus and Bus Facilities Formula Program are recorded at their estimated fair value, provided the Organization has a clearly measurable and objective basis for determining the value. These amounts are recorded as in-kind contributions on the Statement of Activities with an equal and offsetting amount included in the appropriate asset category. None of the donated items were used to generate income during the year ended September 30, 2025.

NOTE 13 - RESTRICTIONS AND LIMITATIONS ON NET ASSETS

Board-designated Net Assets

The governing board of the Organization has designated net assets without donor restrictions for the following purposes as of September 30, 2025:

Operating Fund	\$ 262,272
Contingency Funds	<u>2,817,945</u>
	<u>\$ 3,080,217</u>

The primary investment objectives of the operating fund are capital preservation and liquidity, and the primary investment objectives of the contingency funds are capital preservation and income.

NOTE 14 - LEASES

The Organization has entered into a finance lease for equipment and operating leases for office space and land. The obligations associated with these leases have been recognized as a liability in the Statement of Financial Position, which are based on future lease payments, discounted by the incremental borrowing rate for the operating leases and the rate implicit in the lease for finance leases. The Organization presents property and equipment net on the Statement of Financial Position and as such ROU Assets are reported in Note 6 above. Lease terms may include options to extend or terminate certain leases and are reflected in the valuation if it is reasonably certain that the Organization will exercise an option to extend or terminate a lease.

The Organization determines if an arrangement is or contains a lease at inception. ROU assets and lease liabilities reflect the present value of future minimum lease payments over the lease term. The ROU asset and corresponding liabilities associated with future lease payments at September 30, 2025 are shown below:

	Operating Leases	Finance Lease
ROU Asset	\$ 102,584	\$ 3,664
Lease Liability	99,719	2,242
Weighted Average:		
Discount Rate	2.00%	2.00%
Remaining Lease Term (Months)	471	36

West River Transit Authority, Inc. dba Prairie Hills Transit
Notes to the Financial Statements
September 30, 2025

NOTE 14 - LEASES (CONTINUED)

Future maturities of lease liabilities are presented in the following table for the years ending September 30:

	Operating Leases	Finance Lease	Total Lease Payments
2026	\$ 9,120	\$ 771	\$ 9,891
2027	9,120	771	9,891
2028	6,620	771	7,391
2029	3,120	-	3,120
2030	3,120	-	3,120
Thereafter	106,860	-	106,860
Less: Discount	<u>(38,241)</u>	<u>(71)</u>	<u>(38,312)</u>
	<u>\$ 99,719</u>	<u>\$ 2,242</u>	<u>\$ 101,961</u>

NOTE 15 - SUBSEQUENT EVENTS

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.

SINGLE AUDIT INFORMATION

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) (the Organization), which comprise the statement of financial position as of September 30, 2025, 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 March 24, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 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.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota

March 24, 2026

Independent Auditor's Report on Compliance for
Each Major Federal Program and Report on Internal Control
over Compliance in Accordance with the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited West River Transit Authority, Inc. dba Prairie Hills Transit's (a non-profit organization) (the Organization) 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 Organization's major federal programs for the year ended September 30, 2025. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

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 Organization'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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the Organization'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, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001 to be a material weakness.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance finding identified in our compliance audit and described in the accompanying Schedule of Findings and Questioned Costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

March 24, 2026

West River Transit Authority, Inc. dba Prairie Hills Transit
Schedule of Findings and Questioned Costs
September 30, 2025

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 and 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, which are required to be reported in accordance with *Government Auditing Standards*, were noted during the audit.
- d. An instance of noncompliance or deficiencies in internal control over compliance related to the major federal programs is reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance.
- e. The independent auditor's report on compliance for each major federal award program of West River Transit Authority, Inc. dba Prairie Hills Transit expresses an unmodified opinion on each major federal program. A material weakness was reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance.
- f. Audit findings required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.
- g. The federal awards tested as major programs were:

<u>Assistance Listing (AL) Number</u>	<u>Name of Federal Program</u>
AL #20.509	Formula Grants for Rural Areas and Tribal Transit Program

- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$1,000,000.
- i. West River Transit Authority, Inc. dba Prairie Hills Transit qualified 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

Formula Grants for Rural Areas and Tribal Transit Program AL# 20.509

Material Weakness

Internal Control over Compliance

Lack of Review and Approval over Payroll

- 2025-001 *Condition:* During our testing of controls over payroll, we identified three instances of payroll summary reports lacking an indication of review and approval.

West River Transit Authority, Inc. dba Prairie Hills Transit
Schedule of Findings and Questioned Costs
September 30, 2025

Criteria: The Uniform Guidance 2 CFR 200.303 requires auditees to establish and maintain effective internal control over federal awards that provides reasonable assurance that the awards are being managed in compliance with federal statutes, regulations, and the terms and conditions of the federal award. The Organization should have a system of internal control in place to provide reasonable assurance that payroll summary reports are accurate and are being reviewed.

Cause: The Organization has experienced significant turnover in HR positions and has had the Executive Director and Finance Manager take on these duties, along with their normal duties, until a replacement can be found.

Effect: In the absence of review, payroll errors may go undetected, potentially resulting in inaccurate payroll records and payments. The possibility of fraud or noncompliance occurring and not being prevented or detected and corrected is present.

Context: During our testing of a sample of six payroll summary reports, we noted an instance of a lack of review and approval. We then expanded the sample to 12 payroll summary reports, identifying one further instance of lack of review and approval, at which point the sample was again expanded to 24. A third instance was identified during the testing over the expanded sample, at which point testing ceased, and we determined that we could not rely on controls. The control deficiency did not result in a material impact on the program and did not reach the threshold for reporting questioned costs.

Repeat of Prior Year Finding: No

Auditor's Recommendation: We recommend that payroll summary reports be reviewed and approved prior to completing the payroll process. If the Executive Director is unavailable, another staff member should review and approve the reports so the payroll process can be completed.

View of Management: Management agrees with the finding. A response can be found in the Corrective Action Plan.



2015 Tumble Weed Trail, Spearfish, SD 57783
Office (605) 642-6668 Fax (605) 642-6434
www.prairiehillstransit.org

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

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.

CORRECTIVE ACTION PLAN (UNAUDITED)

West River Transit Authority, Inc. dba Prairie Hills Transit respectfully submits the following Corrective Action Plan for the year ended September 30, 2025.

Name and address of independent public accounting firm:

Casey Peterson, LTD
909 Saint Joseph Street, Ste 101
Rapid City, South Dakota 57701

FINDINGS - MAJOR FEDERAL AWARD PROGRAMS

Formula Grants for Rural Areas and Tribal Transit Program AL# 20.509

Material Weakness

Internal Control over Compliance

Lack of Review and Approval over Payroll

2025-001 *Condition:* During our testing of controls over payroll, we identified three instances of payroll summary reports lacking an indication of review and approval.

Criteria: The Uniform Guidance 2 CFR 200.303 requires auditees to establish and maintain effective internal control over federal awards that provides reasonable assurance that the awards are being managed in compliance with federal statutes, regulations, and the terms and conditions of the federal award. The Organization should have a system of internal control in place to provide reasonable assurance that payroll summary reports are accurate and are being reviewed.

Repeat of Prior Year Finding: No.

Auditor's Recommendation: We recommend that payroll summary reports be reviewed and approved prior to completing the payroll process. If the Executive Director is unavailable, another staff member should review and approve the reports so the payroll process can be completed.

Management's Response: Payroll reports will be reviewed and approved by the Executive Director. If the Executive Director is unavailable, another staff member will review and approve the reports. The Executive Director has reviewed and approved all payroll reports to date.

Completion Date: March 17, 2026

West River Transit Authority, Inc. dba Prairie Hills Transit
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2025

AL 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	N	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	SD Department of Transportation	Note 5	\$ 1,973,399
		Total Federal Transit Cluster			<u>1,973,399</u>
<i>Transit Services Programs Cluster</i>					
20 . 513	N	Enhanced Mobility of Seniors and Individuals with Disabilities	N/A	N/A	205,920
20 . 513	N	Enhanced Mobility of Seniors and Individuals with Disabilities	SD Department of Transportation	Note 6	<u>6,859</u>
		Total Transit Services Programs Cluster			<u>212,779</u>
20 . 509	Y	Formula Grants for Rural Areas and Tribal Transit Program (Note 3)	SD Department of Transportation	Note 7	<u>1,098,149</u>
		Total U.S. Department of Transportation			<u>3,284,327</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	812218	<u>103,803</u>
		Total Aging Cluster			<u>103,803</u>
		Total Federal Financial Assistance			<u>\$ 3,388,130</u>

See independent auditor's report.

West River Transit Authority, Inc. dba Prairie Hills Transit
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended September 30, 2025

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: Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs pass-through entity identifying numbers include 812155, 812184, 812192, 812200, and 812232.

NOTE 6: Enhanced Mobility of Seniors and Individuals with Disabilities pass-through entity identifying numbers include 812055 and 812141.

NOTE 7: Formula Grants for Rural Areas and Tribal Transit Program pass-through entity identifying numbers include 812218, SD-2023-009 #31, SD-2023-009 #29, SD-2023-009 #48-R, SD-2023-009 #46, SD-2023-009 #61, SD-2023-009 #72, SD-2023-009 #76, SD-2025-001 #9, SD-2025-001 #10, and SD-2025-001 #79.

See independent auditor's report.