

People's Transit
(A Nonprofit Organization)

**Independent Auditor's Report
and Financial Statements**

**For the Years Ended
September 30, 2024 (Audited) and 2023 (Reviewed)**

People's Transit

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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***

To the Board of Directors
People’s Transit
Huron, 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 People’s Transit (a nonprofit organization), which comprise the statement of financial position as of September 30, 2024, 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 February 13, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered People’s Transit’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of People’s Transit’s internal control. Accordingly, we do not express an opinion on the effectiveness of People’s 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 the 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 were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether People's 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 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.

People's Transit's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on People's Transit's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. People's Transit's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



Huron, South Dakota
February 13, 2025



**Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program
And on Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Directors
People’s Transit
Huron, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited People’s Transit’s 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 People’s Transit’s major federal programs for the year ended September 30, 2024. People’s Transit’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, People’s 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, 2024.

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; 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). 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 People’s Transit 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 People’s Transit’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 People's Transit'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 People's Transit's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, 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 People's Transit's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 People's Transit's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of People's Transit'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 People's Transit's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in cursive script that reads "CLO Prof LLC".

Huron, South Dakota
February 13, 2025

People's Transit
Schedule of Findings and Questioned Costs
September 30, 2024

Section II – Financial Statement Findings

Finding 2024-001 – Lack of Segregation of Duties

Condition: There is a general lack of segregation of duties and monitoring of accounting functions, specifically relating to year-end entries due to the small staff size.

Criteria: Duties within the finance function of the Organization should be segregated among employees and activities monitored to mitigate risk of error.

Cause: This condition exists due to small staff size within the finance function of the Organization. These issues are common in a organization of this size.

Effect: The Executive Director and Accountant perform closing entries and reconciliations without significant oversight. The possibility of fraud or errors occurring and not being detected or corrected is present.

Auditor's Recommendation: It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with the Executive Director and Accountant performing entries and reconciliations without significant oversight, because of cost or other considerations.

Management's Response: Management does not fully agree with the finding, however, additional steps will be taken to reduce the degree of risk even further after People's Transit Board discussion with ELO Partner, Lucas Hauert. Please see the Corrective Action Plan. (next page)

Repeat Finding from Prior Year(s): No

Section III – Federal Award Findings and Questioned Costs

There are no findings or questioned costs relating to federal award programs which are required to be reported in accordance with 2 CFR 200.516(a)



Corrective Action Plan (Unaudited)

People's Transit respectfully submits the following corrective action plan for the year ended September 30, 2024.

Name and address of independent public accounting firm:

ELO Prof. LLC
PO Box 951
Huron, SD 57350

Findings - Financial Statement Audit

Finding 2024-001 – Lack of Segregation of Duties

Organization's Response: Management does not fully agree with the finding, however, additional steps will be taken to reduce the degree of risk even further after People's Transit Board discussion with ELO Partner, Lucas Hauert. Please see the Corrective Action Plan. (next page)

View of Responsible Officials and Corrective Action Plan:

The Organization understands risks associated with the small staff, but internal controls are present and appropriate for the size of the finance function within the Organization. The Board of Directors review bank reconciliations and financial statements monthly. Any out of the ordinary adjustments, to the financials, are reviewed with the Board during monthly meetings. In addition, South Dakota Department of Transportation conducts two random audits each year to assess revenue, expenses, and payroll being reported on the Organization's Profit and Loss. A tri-annual audit is also conducted by South Dakota Department of Transportation, as directed by the Federal Transportation Administration.

However, Management and those charged with governance will make the following changes to assist in reducing risk even further in efforts to address ELO concerns with segregation of duties for a small organization.

- Duties in the Accounting policy will be modified to give responsibility for the monthly reconciliations back to the Executive Director.
- Accounting duties will also be updated to include all monthly adjusting entries and any closing entries be reviewed by the Board in the monthly meeting.

Name of Responsible Person: Gayle Kludt, Executive Director

Name of Department Contact: Gayle Kludt, Executive Director

Anticipated Date: February 13, 2025



Independent Auditor's Report

To the Board of Directors
People's Transit
Huron, South Dakota

Opinion

We have audited the accompanying financial statements of People's Transit's (a nonprofit organization), which comprise the statement of financial position as of September 30, 2024, 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 financial statements present fairly, in all material respects, the financial position of People's Transit as of September 30, 2024, 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 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 People's Transit and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 People's Transit's ability to continue as a going concern within 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of People's Transit'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 People's Transit'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 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 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 February 13, 2025, on our consideration of People's 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 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 People's Transit'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 People's Transit's internal control over financial reporting and compliance.

Report on Prior Period Summarized Comparative Information:

The September 30, 2023 financial statements were reviewed by us, and our report thereon, dated August 8, 2024, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis of the expression of an opinion on the financial statements.

A handwritten signature in cursive script that reads "CLO Prof LLC".

Huron, South Dakota
February 13, 2025

People's Transit

Statement of Financial Position – September 30, 2024
With Comparative Totals as of September 30, 2023

	September 30,	
	2024 (Audited)	2023 (Reviewed)
Assets		
Current Assets		
Cash and cash equivalents	\$ 308,092	\$ 99,790
Certificates of deposit	512,695	759,282
Accounts receivable	21,761	14,335
Grants receivable	26,999	91,770
Prepaid expenses	8,146	51,806
Total Current Assets	<u>877,693</u>	<u>1,016,983</u>
Property and Equipment, at cost		
Land	21,155	21,155
Building	546,013	539,510
Equipment	150,599	146,194
Vehicle	1,581,945	746,274
Total Property and Equipment	<u>2,299,712</u>	<u>1,453,133</u>
Less accumulated depreciation	<u>(968,761)</u>	<u>(850,819)</u>
Net Property and Equipment	<u>1,330,951</u>	<u>602,314</u>
Total Assets	<u>\$ 2,208,644</u>	<u>\$ 1,619,297</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	<u>\$ 46,327</u>	<u>\$ 50,382</u>
Total Current Liabilities	<u>46,327</u>	<u>50,382</u>
Net Assets		
With donor restrictions	15,432	37,173
Without donor restrictions	<u>2,146,885</u>	<u>1,531,742</u>
Total Net Assets	<u>2,162,317</u>	<u>1,568,915</u>
Total Liabilities and Net Assets	<u>\$ 2,208,644</u>	<u>\$ 1,619,297</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

People's Transit
Statement of Activities
Year Ended September 30, 2024
With Comparative Totals for the Year Ended September 30, 2023

	Year Ended September 30,		2024 Total (Audited)	2023 Total (Reviewed)
	Without Restrictions	With Donor Restrictions		
Revenues and Support				
Grants and contributions	\$ 42,919	\$ 7,882	\$ 50,801	\$ 83,989
Government contracts	1,334,243	--	1,334,243	724,754
Program fares	148,346	--	148,346	147,525
Non-government contracts	92,886	--	92,886	55,070
Interest	24,141	--	24,141	11,618
Miscellaneous revenue	2,519	--	2,519	30
Gain from sale of assets	--	--	--	16,250
Assets released from restrictions	29,623	(29,623)	--	--
Total Revenues and Support	<u>1,674,677</u>	<u>(21,741)</u>	<u>1,652,936</u>	<u>1,039,236</u>
Operating Expenses				
Program services	872,606	--	872,606	776,382
Supporting services	186,928	--	186,928	173,060
Total Operating Expenses	<u>1,059,534</u>	<u>--</u>	<u>1,059,534</u>	<u>949,442</u>
Change in Net Assets	615,143	(21,741)	593,402	89,794
Net Assets, Beginning of Year	<u>1,531,742</u>	<u>37,173</u>	<u>1,568,915</u>	<u>1,479,121</u>
Net Assets, End of Year	<u>\$ 2,146,885</u>	<u>\$ 15,432</u>	<u>\$ 2,162,317</u>	<u>\$ 1,568,915</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

People's Transit
Statement of Functional Expenses
Year Ended September 30, 2024
With Comparative Totals for the Year Ended September 30, 2023

	Year Ended September 30,			
	Program Services	Management & General	2024 Total (Audited)	2023 Total (Reviewed)
Functional expenses				
Salaries and benefits	\$ 576,277	\$ 101,696	\$ 677,973	\$ 608,243
Depreciation expense	106,147	11,794	117,941	86,383
Travel and vehicle	89,032	9,892	98,924	97,741
Liability insurance	29,368	2,210	31,578	26,625
Repairs and maintenance	25,509	1,920	27,429	39,681
Software service agreement	22,289	--	22,289	21,052
Professional fees	--	18,364	18,364	19,637
Office supplies	--	14,248	14,248	18,483
Telephone	--	11,917	11,917	8,575
Miscellaneous	8,131	3,485	11,616	8,297
Bad debt expense	10,223	--	10,223	14
Occupancy	--	6,524	6,524	6,684
Accident expense	5,630	--	5,630	1,882
Marketing and promotional	--	4,878	4,878	6,145
	<u>\$ 872,606</u>	<u>\$ 186,928</u>	<u>\$ 1,059,534</u>	<u>\$ 949,442</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

People's Transit
Statement of Cash Flows
Year Ended September 30, 2024
With Comparative Totals for the Year Ended September 30, 2023

	Year Ended	
	September 30,	
	2024	2023
	(Audited)	(Reviewed)
Cash Flows from Operating Activities:		
Cash received from grants, contributions and fares	\$ 1,683,621	\$ 954,643
Cash paid to employees and suppliers	(901,988)	(874,758)
Miscellaneous income	26,660	11,648
	<u>808,293</u>	<u>91,533</u>
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activities:		
Purchase of certificates of deposit	(512,695)	(759,282)
Redemption of certificate of deposit	759,282	--
Cash received on disposal of property and equipment	--	16,250
Purchase of property and equipment	(846,578)	(148,869)
	<u>(599,991)</u>	<u>(891,901)</u>
Net Cash (Used) by Investing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	208,302	(800,368)
Cash and Cash Equivalents, Beginning of year	99,790	900,158
Cash and Cash Equivalents, End of year	<u>\$ 308,092</u>	<u>\$ 99,790</u>
Reconciliation to Change in Net Assets to Net		
Cash Provided by Operating Activities:		
Change in net assets	\$ 593,402	\$ 89,794
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	117,941	86,383
Gain on sale of property and equipment	--	(16,250)
(Increase) decrease in:		
Accounts receivable	(7,426)	(2,526)
Grants receivable	64,771	(54,169)
Prepaid expenses	43,660	(32,588)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(4,055)	20,889
	<u>\$ 808,293</u>	<u>\$ 91,533</u>
Net Cash Provided by Operating Activities		

The accompanying Notes to Financial Statements are an integral part of this statement.

People's Transit
Notes to Financial Statements
September 30, 2024

1. Significant Accounting Policies:

Organization: People's Transit (the Organization) is a 501(c)(3) private, non-profit public transit service. The Organization offers safe, reliable, convenient, and affordable transportation for all people. The Organization serves the City of Huron and Beadle and Sanborn Counties in South Dakota.

Basis of Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of People's Transit and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or passage of time. 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.

Cash and Cash Equivalents: The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable, Net: Accounts receivables are reported original invoice amount less an estimate for credit losses. Changes in the allowance for credit losses are classified in the statement of activities netted against program fares. The Organization assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when we identify specific customers with known disputes or collectability issues. In determining the amount of the allowance for credit losses, we consider historical collectability based on past due status and make judgements about the credit-worthiness of customers based on ongoing credit evaluations. We also consider customer-specific information, current market conditions, and reasonable and supportable forecasts of future economic conditions to inform adjustments to historical loss data. The allowance fore credit losses on accounts receivable was \$0 for the year ended September 30, 2024.

Grants Receivable: Grants receivables are due primarily from Federal, State and Local governmental units and agencies and arise primarily from the Organization's contracts with those agencies to administer various programs. All amounts are receivable within one year. All grants receivables are considered collectible by management based upon history and assessed risk of collection; therefore, no allowance for credit losses is presented.

Contributions: Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, 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 substantially met. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

People's Transit
Notes to Financial Statements
September 30, 2024

1. Significant Accounting Policies: (Continued)

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.

Property and Equipment: Property and equipment are stated at cost if purchased and fair market value if donated. Depreciation is recorded using the straight-line method over estimated useful lives of 5-39 years. The Organization capitalizes all assets that have an original cost or fair value of \$500 or greater.

Income Taxes: The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. The State of South Dakota does not levy an income tax.

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

Revenue Recognition: Revenue for direct programs are recognized on the date the event occurs, as earned.

Functional Expenses: Expenses are allocated between program services and supporting services by direct identification of expenses if possible and estimated by management when direct identification is not possible. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on the basis of estimates of time and effort.

Leases: The Organization does not have any material leases. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

The Organization has elected the short-term lease recognition exemption for all applicable classes of underlying assets. Leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that we are reasonably certain to exercise, are not recorded on the statement of financial position. Long-term operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities, and operating lease liabilities in our statement of financial position. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities in our statement of financial position. The Organization recognizes lease liabilities and corresponding assets with an initial, individual value of \$30,000 or more.

ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable.

People's Transit
Notes to Financial Statements
September 30, 2024

1. Significant Accounting Policies: (Continued)

Since most of the Organization's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the Organization's incremental borrowing rate based on the information available at lease commencement. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise the option.

Subsequent Events: Subsequent events have been evaluated for potential recognition or disclosure in the financial statements through February 13, 2025, the date the financial statements were available to be issued.

2. Net Assets with Donor Restrictions:

The Net assets with donor restrictions consist of unspent donations for equipment improvements and specific use. The Organization has the restricted funds combined with other funds and invested. Net assets are restricted for the following purposes:

	September 30, 2024
Equipment improvements	\$ 6,000
Transportation funds	9,432
	<u>\$ 15,432</u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose specified by donors:

	September 30, 2024
Equipment improvements	\$ (20,641)
Transportation funds	(8,982)
	<u>\$ (29,623)</u>

3. Accounting for Uncertain Tax Positions:

The Organization files income tax returns in the U.S. federal jurisdiction. With few exceptions, the Organization is no longer subject to U.S. federal, state, or local tax examinations by tax authorities for years before 2021.

The Organization includes penalties and interest assessed by income tax authorities in operating expenses. The Organization did not have realized penalties or interest expense for the years ended September 30, 2024.

People's Transit
Notes to Financial Statements
September 30, 2024

4. Concentration of Credit Risk:

The Organization maintains cash accounts in several commercial bank accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk related to cash on deposit, as the credit union has pledged investments to cover any shortfall of funds greater than the \$250,000 limit.

5. Liquidity and Availability of Financial Assets:

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the balance sheet date.

	September 30, 2024
Financial assets at year-end	
Cash and cash equivalents	\$ 308,092
Certificates of deposit	512,695
Accounts receivable	21,761
Grants receivable	26,999
Total financial assets	<u>869,547</u>
Less those unavailable for general expenditure within one year:	
Restricted grants	<u>(15,432)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 854,115</u>

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

6. County and City Support:

The Organization receives support from Beadle County and the City of Huron. The Organization received \$10,000 county funding and \$12,426 city funding for the year ended September 30, 2024.

People's Transit
Notes to Financial Statements
September 30, 2024

7. Accrued Leave:

Full-time employees are entitled to accrue paid time off (PTO) days based on the number of eligible hours worked during each pay period. The maximum number of PTO hours that can be accrued annually are 80 to 280 hours, which vary based on each employee's length of service. Unused PTO time may be banked and used in the future; however, the accumulated PTO hours may not exceed balances between 160 and 420 hours, again, based on years of service. The executive director receives the maximum hours available to accrue. The amount payable for unused vacation was \$17,953 for the year ended September 30, 2024.

8. Retirement Plan:

The Organization maintains a Savings Incentive Match Plan for Employees (SIMPLE IRA). Eligibility is limited to full time employees and regular part time employees. Eligible employees can begin contributions on the first day of the month after a full month of employment. An eligible employee may make a salary reduction election to have a percentage of compensation deferred. The total amount of salary reduction may not exceed \$16,000 per year for 2024. The Organization contributes matching contributions to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the year. SIMPLE IRA expense included in salaries and benefits was \$14,069 for the year ended September 30, 2024.

9. Recently Issued Accounting Standards:

In FY24, the Organization implemented the provisions of the Financial Accounting Standards Board (FASB) ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), commonly known as CECL using the modified retrospective approach as of October 1, 2023. CECL's main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. The implementation of this standard had no effect on net assets.

10. Reclassifications:

Certain items in the financial statements for 2023 have been reclassified to conform with the current year presentation. Such reclassifications had no effect on net assets.

Supplementary Information

People's Transit
Schedule of Expenditures of Federal Awards
September 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass-Through the SD Department of Transportation			
Federal Transit Cluster:			
		SD-2020-001; SD-2022-003; SD-2024-004;	
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	SD-2022-022; SD-2021-011	\$ 683,421
Other Programs:			
Formula Grants for Rural Areas and Tribal Transit Program	20.509	SD-2023-009; SD-2022-019	<u>415,267</u>
Total Department of Transportation			<u>1,098,688</u>
Department of Health and Human Services			
Pass-Through SD Department of Human Services			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	SD-2023-009	<u>19,096</u>
Grand Total			<u>\$ 1,117,784</u>

People's Transit
Notes to the Schedule of Expenditures of Federal Awards
September 30, 2024

Note 1: Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of People's Transit under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of People's Transit, it is not intended to and does not present the financial position, changes in net position, or cash flows of People's Transit.

Note 2: Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

Note 3: Federal Reimbursement:

People's Transit has not elected to use the 10% de minimus indirect cost rate.