

YANKTON TRANSIT, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
SEPTEMBER 30, 2023

YANKTON TRANSIT, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Yankton Transit, Inc.
Yankton, South Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Yankton Transit, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023, 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 Yankton Transit, Inc. as of September 30, 2023, 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 Yankton Transit, Inc. 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.

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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 Yankton Transit, Inc.'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 Yankton Transit, Inc.'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 Yankton Transit, Inc.'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 July 12, 2024, on our consideration of Yankton Transit, Inc.'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 Yankton Transit, Inc.'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 Yankton Transit, Inc.'s internal control over financial reporting and compliance.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
July 12, 2024

YANKTON TRANSIT, INC.

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2023

	<u>2023</u>
ASSETS	
Cash and cash equivalents	\$ 35,279
Restricted cash - insurance claim	65,000
Accounts receivable, net of allowance for doubtful accounts of \$-0-	16,499
Grants receivable	125,165
Property and equipment, net	<u>1,098,974</u>
 Total assets	 <u><u>\$ 1,340,917</u></u>
LIABILITIES	
Accounts payable	\$ 11,294
Accrued expenses	<u>11,555</u>
 Total liabilities	 <u>22,849</u>
NET ASSETS	
Without donor restrictions	187,323
With donor restrictions	<u>1,130,745</u>
 Total net assets	 <u>1,318,068</u>
 Total liabilities and net assets	 <u><u>\$ 1,340,917</u></u>

The accompanying notes are an integral part
of these financial statements.

YANKTON TRANSIT, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Support, Revenues, and Gains			
Federal grant revenue	\$ -	\$ 759,208	\$ 759,208
Miscellaneous revenue	17,307	-	17,307
Other grant revenue	163,659	-	163,659
Fees collected	208,369	-	208,369
Investment income	730	-	730
Gain on disposal of property and equipment	-	28,985	28,985
Total support, revenues, and gains	<u>390,065</u>	<u>788,193</u>	<u>1,178,258</u>
Expenses			
Transportation	1,077,931	-	1,077,931
General and administrative	<u>182,828</u>	<u>-</u>	<u>182,828</u>
Total expenses	<u>1,260,759</u>	<u>-</u>	<u>1,260,759</u>
Reclassification of Net Assets			
Additions for capital purchases	(216,337)	216,337	-
Released in satisfaction of purpose	<u>962,658</u>	<u>(962,658)</u>	<u>-</u>
Net assets released from restrictions	<u>746,321</u>	<u>(746,321)</u>	<u>-</u>
Change in net assets	(124,373)	41,872	(82,501)
Net assets, beginning of year, as previously stated	311,696	1,371,492	1,683,188
Prior period adjustment	<u>-</u>	<u>(282,619)</u>	<u>(282,619)</u>
Net assets, beginning of year, restated	<u>311,696</u>	<u>1,088,873</u>	<u>1,400,569</u>
Net assets, end of year	<u>\$ 187,323</u>	<u>\$ 1,130,745</u>	<u>\$ 1,318,068</u>

The accompanying notes are an integral part
of these financial statements.

YANKTON TRANSIT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2023

	2023		
	<u>Transportation</u>	<u>General and Administrative</u>	<u>Total</u>
Wages and salaries	\$ 414,230	\$ 86,061	\$ 500,291
Depreciation	206,248	-	206,248
Repairs and maintenance	98,341	-	98,341
Fuel	92,521	-	92,521
Employee benefits	60,057	12,478	72,535
Miscellaneous	15,596	45,634	61,230
Management contract	60,000	-	60,000
Payroll tax	36,583	7,601	44,184
Insurance	39,500	-	39,500
Supplies	30,382	-	30,382
Equipment	22,555	-	22,555
Utilities	-	20,746	20,746
Professional services	-	9,600	9,600
Retirement	1,917	398	2,315
Travel	-	311	311
Total expenses	<u>\$ 1,077,931</u>	<u>\$ 182,828</u>	<u>\$ 1,260,759</u>

The accompanying notes are an integral part
of these financial statements

YANKTON TRANSIT, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2023

	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (82,501)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities	
Depreciation	206,248
(Gain)loss on disposal of assets	(28,985)
Changes in operating assets and liabilities:	
(Increase) decrease in	
Accounts receivable	(5,798)
Grants receivable	(34,953)
Increase (decrease) in	
Accounts payable	8,855
Accrued expenses	<u>11,124</u>
Net cash provided by operating activities	<u>73,990</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(216,337)
Insurance settlement	<u>65,000</u>
Net cash (used in) investing activities	<u>(151,337)</u>
Change in Cash and Cash Equivalents	(77,347)
Cash and Cash Equivalents, beginning of year	<u>177,626</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 100,279</u></u>
Supplemental Disclosures	
Cash payments for:	
Interest	<u>\$ 688</u>
Reconciliation of Cash to the Balance Sheet	
Cash and cash equivalents	\$ 35,279
Restricted cash	<u>65,000</u>
	<u><u>\$ 100,279</u></u>

The accompanying notes are an integral part
of these financial statements.

YANKTON TRANSIT, INC.

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Yankton Transit, Inc. is a not-for-profit organization incorporated in Yankton, South Dakota in 1995. The mission of Yankton Transit, Inc. is to provide innovative and sustainable transportation for the citizens of Yankton, South Dakota.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB). The FASB requires Yankton Transit, Inc. to report information regarding its financial position and activities based on two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Summary of Significant Accounting Policies

This summary of significant accounting policies of Yankton Transit, Inc. is presented to assist in understanding their financial statements. The financial statements and notes are representations of Yankton Transit Inc's. management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported income and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, Yankton Transit Inc. considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Certificates of deposit, regardless of maturity, are not considered to be cash and cash equivalents.

YANKTON TRANSIT, INC.

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accounts Receivable

Accounts receivable consist primarily of noninterest-bearing amounts due for money received from the South Dakota Department of Transportation. Yankton Transit, Inc. determines the allowance for doubtful accounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are charged to the allowance when deemed uncollectable. At September 30, 2023, the allowance was \$-0-.

Fair Value of Financial Instruments

Unless otherwise indicated, the fair value of all reported assets and liabilities, which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

Property and Equipment

Acquisitions of property in excess of \$1,000 and equipment in excess of \$500 are capitalized. Purchased property and equipment is stated at cost, or if donated, at the approximate fair value at the date of donation. Depreciation is computed principally by the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	40
Land improvements	15-25
Equipment	3-10
Furniture and fixtures	7-10

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

YANKTON TRANSIT, INC.

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Assets, continued

Net Assets With Donor Restrictions – Net assets subject to donor or certain grantor-imposed restrictions. Some donor or grantor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other donor or grantor-imposed restrictions are perpetual. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor or grantor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources was restricted has been fulfilled, or both.

Contributions

Yankton Transit, Inc.'s. contributions are recognized as support when they are received or unconditionally pledged and are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and nature of any donor restrictions. Contributions required to be reported as net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions.

Grants and Contracts

Support received under grants and contracts is recognized as revenue when the related expenses are incurred. Grants receivable includes amounts receivable under grants and contracts and represents amounts due for expenses incurred prior to year-end. Unearned revenue or revenue received in advance represents cash received in advance of the related expense.

Functional Allocation of Expenses

The costs of program services and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program activities and supporting services benefited. Yankton Transit, Inc. employs certain cost allocation methods for the purpose of allocating costs to specific programs. Actual costs are allocated directly to programs to the extent possible. Overhead costs are allocated on a percentage basis. Occupancy costs are allocated based on usage of building square footage.

Advertising

Yankton Transit, Inc. expenses the costs of advertising as incurred.

YANKTON TRANSIT, INC.

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Retirement Plan

Yankton Transit, Inc. has a Retirement Plan for full-time employees which is offered after 60 days of continued employment. Yankton Transit, Inc. will match up to 3% of an employee's gross income. Yankton Transit, Inc.'s employees have the right to add as much of his/her gross income as determined by Federal Tax Laws to their retirement account. It is the employee's responsibility to sign up with a financial advisor that offers Oppenheimer Funds.

Income Taxes

Yankton Transit, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes is made in these financial statements.

Fund Raising Activity

Yankton Transit, Inc. does not maintain a formal fund raising or solicitation department. Currently, it does not conduct fund raising campaigns, door-to-door solicitations, telethons, mass mailings or special fund-raising events. Accordingly, fund raising expense is not segregated and presented in the financial statements.

2. LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$ 35,279
Accounts receivable	16,499
Grants receivable	125,165
	<u>\$ 176,943</u>

3. CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, Yankton Transit, Inc.'s deposits may not be returned to it. The accounts at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. Yankton Transit, Inc. maintains its cash balances at two financial institutions. At times throughout the year, Yankton Transit, Inc. may exceed the FDIC limit. As of September 30, 2023, Yankton Transit, Inc.'s bank balances were fully insured.

YANKTON TRANSIT, INC.

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2023

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Building improvements	\$ 741,905
Equipment	617,719
Software	36,860
Buses	<u>793,881</u>
Total cost	2,190,365
Accumulated depreciation	<u>(1,091,391)</u>
Property and equipment, net	<u>\$ 1,098,974</u>

5. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions at September 30, 2023, consist of the following:

With Donor Restrictions:

Subject to expenditure for a specified purpose:

Restricted for transportation:

Property and equipment	\$ 1,065,745
Insurance settlement	<u>65,000</u>

Total net assets with donor restrictions \$ 1,130,745

6. ECONOMIC DEPENDENCY

Yankton Transit, Inc. receives appropriations from the South Dakota Department of Transportation. This represents approximately 63% of Yankton Transit, Inc's annual revenue. The current level of the Yankton Transit, Inc's operations may be impacted if the funding is not renewed.

7. ADVERTISING

Yankton Transit, Inc. incurred advertising costs of \$302 for the year ended September 30, 2023.

YANKTON TRANSIT, INC.

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2023

8. RETIREMENT PLAN

Yankton Transit, Inc. recognized retirement expense of \$2,315 for the year ended September 30, 2023.

9. LEASES

Yankton Transit, Inc. has leased space for services in Yankton, South Dakota from the City of Yankton for a nominal fee of \$1 per year under an annual lease cancellable upon notification of the lessors. Due to the lease payment being a de minimus amount, no intangible lease asset or lease liability has been recognized.

10. PRIOR PERIOD ADJUSTMENTS

For the year ended September 30, 2021, Yankton Transit, Inc. did not make audit adjustments, resulting in a decrease in property and equipment of \$128,742. For the year ended September 30, 2022, Yankton Transit, Inc. did not post capital activity, resulting in a decrease in property and equipment of \$153,877. The restatement resulted in a corresponding decrease of \$282,619 in beginning net assets with donor restrictions for year ended September 30, 2023.

11. SUBSEQUENT EVENTS

Events occurring after September 30, 2023, were evaluated by management through July 12, 2024, the date which the financial statements were available to be issued, to ensure that any subsequent events that met the criteria for recognition and/or disclosure in these financial statements have been included. There are no significant subsequent events needing disclosure.

SUPPLEMENTARY INFORMATION

YANKTON TRANSIT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2023

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation			
Passed through <i>South Dakota Department of Transportation</i> :			
Federal Transit Cluster:			
Buses and Bus Facilities Formula and Discretionary Programs (Bus Programs)	20.526	811923,811998, 811999,812000 8112001.812002 812003, 812085	\$ 249,822
Formula Grants for Rural Areas	20.509	812090 RTAP	484,717 4,284
Transit Services Programs Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	811848, 812105	<u>5,887</u>
Total U.S Department of Transportation			<u>744,710</u>
U.S. Department of Health and Human Services			
Passed through <i>South Dakota Department of Transportation</i> :			
Aging Cluster:			
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	812090	<u>14,498</u>
Total U.S. Department of Health and Human Services			<u>14,498</u>
Total Expenditures of Federal Awards			<u>\$ 759,208</u>

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Yankton Transit, Inc. under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with 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 Yankton Transit, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Yankton Transit, Inc.

Note 2: 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, where certain types of expenditures are not allowable or are limited as to reimbursement.

Yankton Transit, Inc. has not elected to use the 10% de minimis cost rate.

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
Yankton Transit, Inc.
Yankton, 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 Yankton Transit, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 12, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Yankton Transit, Inc.'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 Yankton Transit, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Yankton Transit, Inc.'s internal control.

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

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

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-002 that we consider to be significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Yankton Transit, Inc.'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*.

Yankton Transit Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Yankton Transit Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Yankton Transit Inc.'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.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
July 12, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

To the Board of Directors
Yankton Transit, Inc.
Yankton, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Yankton Transit, Inc.'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 Yankton Transit, Inc.'s major federal programs for the year ended September 30, 2023. Yankton Transit, Inc.'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, Yankton Transit, Inc. 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, 2023.

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 Yankton Transit, Inc. 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 Yankton Transit, Inc.'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 Yankton Transit, Inc.'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 Yankton Transit, Inc.'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 Yankton Transit, Inc.'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 Yankton Transit, Inc.'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 Yankton Transit, Inc.'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 Yankton Transit, Inc.'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.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to these matters

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

Report on Internal Control over Compliance

Our consideration of internal controls 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 certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-003 to be significant deficiencies.

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 Yankton Transit, Inc.'s response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Yankton Transit, Inc.'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.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
July 12, 2024

YANKTON TRANSIT, INC.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2023**

FINDINGS – FINANCIAL STATEMENTS AUDIT

Finding 2021 – 001 Single Audit Report Filed Late – Significant Deficiency

Condition:

The audited financial statements were not submitted to the Federal Clearinghouse by the due date of June 30, 2022.

Recommendation:

The management of Yankton Transit, Inc. should establish a timely process to ensure completion of the audit by June 30 of each year.

Current Status:

Revised and Repeated as Finding 2023 – 001.

FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no major federal award program audit findings reported.

YANKTON TRANSIT, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2023**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal Control over financial reporting:

Material weakness(es) identified? yes X no
Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes X no
Significant deficiency(ies) identified? X yes none reported

Type of auditor's report issued on compliance
for major programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR Section
200.512? X yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.509	Formula Grants for Rural Areas

Dollar threshold used to distinguish
between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

YANKTON TRANSIT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2023 – 001: Single Audit Report Filed Late

Significant Deficiency

Criteria: 2 CFR Section 200.512 states that an entity expending more than \$750,000 of federal funds within a fiscal year must submit the data collection form and reporting package by a due date that is the earlier of 30 calendar days after receipt of the auditor's report(s) or nine months after the year end of the audit period.

Condition: The audited financial statements were not submitted to the Federal Clearinghouse by the due date of June 30, 2024.

Cause: The general ledger was not ready for audit as significant accounts were not reconciled in a timely manner.

Effect: Yankton Transit, Inc. was not in compliance with the Uniform Guidance, which could lead to sanctions by the funding sources.

Recommendation: The management of Yankton Transit, Inc. should establish a timely process to ensure completion of the audit by June 30 of each year.

Questioned Cost: None.

Views of Responsible Officials: See the corrective action plan that accompanies the schedule of findings and questioned costs.

Finding 2023 – 002: General Ledger Reconciliations

Significant Deficiency

Criteria: To provide timely and accurate financial reporting, general ledger accounts should be reconciled each month through an effective financial close and reporting process. The journal entries and reconciliations performed by the finance staff should be approved by supervisory personnel and supported with proper documentation in a timely manner.

Condition: Yankton Transit, Inc. did not have an adequate internal control system in place to ensure the general ledger accurately reflected the account balances. The property and equipment balances were not updated to reflect prior year audit adjustments nor reconciled to reflect activity for the current and prior years.

Cause: Yankton Transit Inc.'s finance staff was unable to prepare accounting records and perform required financial close and reporting adjustments in a timely manner.

YANKTON TRANSIT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

Finding 2023 – 002: General Ledger Reconciliations, continued

Effect: Yankton Transit Inc. was not able to produce accurate and timely financial statements during the 2023 year, and the general ledger required multiple adjusting journal entries.

Recommendation: We recommend Yankton Transit Inc. evaluate its current internal control policies and procedures and ensure procedures exist for the timely and accurate reconciliation and adjustment of general ledger accounts resulting in the production of timely and accurate financial reports.

Questioned Cost: None.

Views of Responsible Officials: See the corrective action plan that accompanies the schedule of findings and questioned costs.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 2023 – 003: Activities Allowed/Unallowed and Cost Principles (Internal Control Over Compliance)

Significant Deficiency

ALN 20.509 Formula Grants for Rural Areas

Criteria: Uniform Guidance 2 CFR, §200.313(a) requires that non-federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition: During our review of Yankton Transit Inc.’s internal controls related to formula grants for rural areas major program, we tested 40 disbursements for control deficiencies and 40 transactions to support the opinion on compliance. Of the 40 transactions tested for control deficiencies, Yankton Transit Inc. did not have appropriate control documentation for at least 2 of the 40 transactions. Although support was found for Point-of-Sale transactions, there was no evidence of approval of the transactions. Of the 40 transactions tested to support the opinion on compliance, 0 transactions were out of compliance.

YANKTON TRANSIT, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2023**

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, continued

Finding 2023 – 003: Activities Allowed/Unallowed and Cost Principles (Compliance; Internal Controls Over Compliance), continued

Questioned Costs: None

Cause: Yankton Transit Inc.'s current policies do not address the specific procedures related to processing POS transactions prior to the transactions being processed.

Effect: Disbursements are being processed without proper approval, resulting in the possibility of disallowed expenditures.

Recommendation: We recommend Yankton Transit Inc. become familiar with requirements of 2 CFR, §200.313(a) and establish appropriate internal control policies and procedures and that all staff be trained on those policies and procedures, so they are familiar with the requirements. We further recommend Yankton Transit Inc. does not process payments for disbursements that do not contain necessary approval of purchases.

Views of Responsible Officials: See the corrective action plan that accompanies the schedule of findings and questioned costs.



Yankton Transit
901 E 7th Street
Yankton, SD 57078

July 30, 2024

Response to "2021 – 001 Finding: Single Audit Report Filed Late Revised and Repeated as Finding 2023 – 001"

Corrective Action Plan:

Yankton Transit management team will establish a timely process to ensure completion of the audit by June 30 of each year.

Yankton Transit management team will begin the procurement of an auditing firm that can complete the audit process in a timely manner.

In the future Yankton Transit staff will do everything possible to expedite the A133 audit process.

Response to "2023 – 002 Finding: General Ledger Reconciliations"

Yankton Transit management team will evaluate its current internal control policies and create procedures for the timely and accurate reconciliation and adjustment of general ledger accounts to result in the production of timely and accurate financial reports.

Response to "2023 – 003 Finding: Activities Allowed/Unallowed and Cost Principles (Compliance; Internal Controls Over Compliance)"

Yankton Transit will become familiar with the requirements of 2 CFR, §200.313(a) and will establish internal control policies and procedures and will train staff on those policies and procedures.

Sincerely,

Ron Baumgart
Executive Director
Rbaumgart@rcptransit.com