

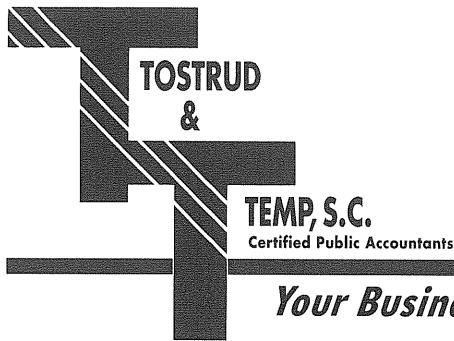
**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**DELAWARE, DUBUQUE AND JACKSON COUNTY
REGIONAL TRANSIT AUTHORITY**

JUNE 30, 2011 and 2010

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delaware, Dubuque and Jackson County
Regional Transit Authority
Dubuque, Iowa

We have audited the accompanying statement of financial position of the Delaware, Dubuque and Jackson County Regional Transit Authority, (a non-profit corporation) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Delaware, Dubuque and Jackson County Regional Transit Authority, as of June 30, 2011 and 2010 and the change of its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information identified in the Table of Contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States,

Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in the material respects in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated October 31, 2011 on our consideration of the Delaware, Dubuque and Jackson County Regional Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Testrud & Temp, S.C.

October 31, 2011

Delaware, Dubuque and Jackson County
Regional Transit Authority
Dubuque, Iowa
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

ASSETS	2011	2010
CURRENT ASSETS		
Cash	\$ 192,521	\$ 125,415
Accounts receivable		
Trade	113,888	149,433
Grants	219,029	12,011
Prepaid expenses	23,286	58,934
Total current assets	548,724	345,793
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation	1,886,330	1,681,898
Total assets	\$ 2,435,054	\$ 2,027,691
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Note payable - current portion	\$ 208,550	\$ 16,181
Accounts payable		
Trade	25,606	23,667
Related party	75,231	71,172
Accrued liabilities		
Payroll and paid time off	36,227	35,113
Payroll taxes and benefits	5,936	5,523
Deferred revenue	36,609	-
Total current liabilities	388,159	151,656
LONG-TERM LIABILITIES		
Notes payable, net of current portion	12,133	28,314
Total liabilities	400,292	179,970
NET ASSETS		
Unrestricted		
Board designated	51,605	52,499
Unrestricted	1,983,157	1,795,222
Total net assets	2,034,762	1,847,721
Total liabilities and net assets	\$ 2,435,054	\$ 2,027,691

The accompanying notes are an integral part of these statements.

Delaware, Dubuque and Jackson County
Regional Transit Authority
Dubuque, Iowa
STATEMENTS OF ACTIVITIES
For the years ended June 30, 2011 and 2010

	2011	2010
REVENUE AND OTHER SUPPORT		
Grants and contracts		
Federal grants	\$ 706,158	\$ 649,564
State grants	217,699	215,827
Transportation contracts	738,268	614,099
Program fees	180,602	134,349
Contributions	2,400	13,543
Fundraising	12,725	19,140
Transit fellowship	6,213	5,045
Replacement capital	7,435	7,459
Gain on sale of vehicles	5,478	1,700
Lease income	6,545	-
Miscellaneous income	7,844	-
Interest	961	1,197
Total revenue and other support	1,892,328	1,661,923
EXPENSES		
Program services		
Operating	807,553	827,724
Maintenance	588,384	549,806
Volunteers	8,308	6,198
Supporting services		
Management and general	287,941	285,184
Fundraising	13,101	-
Total expenses	1,705,287	1,668,912
Increase (decrease) in net assets	187,041	(6,989)
Net assets at beginning of year	1,847,721	1,854,710
Net assets at end of year	\$ 2,034,762	\$ 1,847,721

The accompanying notes are an integral part of these statements.

Delaware, Dubuque and Jackson County
Regional Transit Authority
Dubuque, Iowa
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 187,041	\$ (6,989)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	251,258	280,324
Net gain on sale of equipment	(5,478)	(1,700)
Increase (decrease) in cash due to changes in:		
Accounts receivables	(171,473)	(47,288)
Prepaid expenses	35,648	32,166
Accounts payable	5,998	7,897
Accrued liabilities	1,527	(5,594)
Deferred revenue	36,609	-
Net cash provided by operating activities	341,130	258,816
Cash flows from investing activities		
Equipment and vehicles purchased	(460,923)	(314,436)
Proceeds from sale/transfer of equipment	10,711	1,700
Net cash used in investing activities	(450,212)	(312,736)
Cash flows from financing activities		
Loan proceeds for asset acquisitions	192,369	-
Debt reduction payments	(16,181)	(16,181)
Net cash provided by (used in) financing activities	176,188	(16,181)
Net increase (decrease) in cash	67,106	(70,101)
Cash at beginning of year	125,415	195,515
Cash at end of year	\$ 192,521	\$ 125,415

The accompanying notes are an integral part of these statements.

Delaware, Dubuque and Jackson County
Regional Transit Authority
Dubuque, Iowa

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Delaware, Dubuque and Jackson County Regional Transit Authority was formed to improve, consolidate, and coordinate transportation services in the State of Iowa Planning Area VIII (excluding the city of Dubuque). At the present time, the Regional Transit Authority receives significant revenue from contracts with these agencies as well as the State of Iowa transit operation assistance, U.S. DOT Section 16 Rural Transit Operating Assistance, and passenger fares.

1. Basis of Accounting

The Delaware, Dubuque and Jackson County Regional Transit Authority uses the accrual method of accounting which recognizes income when earned and expenses when incurred.

2. Income Tax Status

The Delaware, Dubuque and Jackson County Regional Transit Authority is a nonprofit corporation, exempt from taxation on its income under Section 501(c)(3) of the Internal Revenue Code. The Regional Transit Authority, however, would not be exempt from income taxes on any unrelated business income it may receive.

3. Depreciation

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives principally by the straight-line method.

4. Property and Equipment

Property and equipment is stated at cost. Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. When assets which were acquired with Federal Capital Assistance are sold, the Regional Transit Authority must remit a portion of the gross sales price equal to the federal participation percentage, net of sales costs, to the federal government.

Depreciation is provided on the straight-line method over the estimated useful lives of the assets:

	<u>Years</u>
Vehicles and equipment	5
Office furniture	5
Software	3
Building	39

Delaware, Dubuque and Jackson County
Regional Transit Authority
Dubuque, Iowa
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

5. Accounts Receivable

Accounts receivable consists of amounts due on transportation contracts from various agencies. The Organization does not maintain an allowance for estimated uncollectible accounts. When an account is determined to be uncollectible, it is deducted from the accounts receivable and charged to expense.

6. Donated Materials and Services

The Delaware, Dubuque and Jackson County Regional Transit Authority records the value of donated goods or services when there is an objective basis available to measure their value. The Authority receives donated services from a variety of unpaid volunteers who assist the organization in carrying out various transportation services. However, no amounts have been recognized in the current year of the accompanying statements for these services because they neither create or enhance a nonfinancial asset or require specialized skills in accordance with professional standards.

7. Cash and Cash Equivalents

The Regional Transit Authority considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

8. Estimates

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

9. Compensated Absences

Employees under contract with Regional Transit Authority accumulate vacation, sick and holiday hours for subsequent use or for payment upon termination, retirement or death. This paid time off is accumulated at a rate that is based on employment category and years of continuous service. The maximum that can be accrued is 280 hours by a full-time employee or 140 hours by a part-time employee. Upon termination of employment, the Regional Transit Authority pays for unused hours according to employment category and years of service.

Delaware, Dubuque and Jackson County
Regional Transit Authority
Dubuque, Iowa
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE B - CASH AND INVESTMENTS

The Delaware, Dubuque and Jackson County Regional Transit Authority maintains its cash in bank accounts which, at times may exceed federally insured limits. The Regional Transit Authority has not experienced any losses in such accounts. The Regional Transit Authority believes it is not exposed to any significant credit risk on cash.

Cash as of June 30, 2011, is classified in the accompanying financial statements as follows:

Statement of net assets	
Cash	\$ <u>192,521</u>

Cash and investments as of June 30, 2011 consist of the following:

	Carrying Amount	Bank Balance
Demand deposits	\$ 127,993	\$ 143,049
Savings and money market accounts	64,528	64,528
	\$ <u>192,521</u>	\$ <u>207,577</u>

Investments Authorized by the Authority's Investment Policy

The Authority is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Authority and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As of year end, the Authority did not have any certificates of deposit.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Delaware, Dubuque and Jackson County
Regional Transit Authority
Dubuque, Iowa
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE B - CASH AND INVESTMENTS - CONTINUED

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. The Authority's deposits at June 30, 2011 were entirely covered by FDIC insurance, collateralized with securities or letters of credit held by the Authority or the Authority's agent in the Authority's name, or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Iowa Code. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The custodial risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

NOTE C - ADMINISTRATIVE CONTRACT

The East Central Intergovernmental Association has been contracted to provide management services for the Regional Transit Authority. This contract has the option to renew annually upon the approval of the Board of Directors. The Board of Directors voted to renew this contract effective July 1, 2009 for three years which covers fiscal years ending 2010, 2011 and 2012.

NOTE D - OTHER POST-EMPLOYMENT BENEFITS

The Authority offers no material post-employment benefits to employees upon separation from service. Employees receive no payments at or after separation from service other than accrued sick and vacation pay which is already accrued in this report. The only post-employment benefit an employee may receive is COBRA continuation of their health insurance, for which the separated employee must pay 100% of their premium.

Delaware, Dubuque and Jackson County
Regional Transit Authority
Dubuque, Iowa
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE E - PROPERTY AND EQUIPMENT

A summary of changes in property and equipment during the current year were as follows:

	Balances 6/30/10	Additions	Removals	Balances 6/30/11
Land	\$ 174,074	\$ -	\$ -	\$ 174,074
Land improvements	11,120	-	-	11,120
Building	1,107,856	-	-	1,107,856
Equipment	313,259	-	-	313,259
Furniture	8,010	-	-	8,010
Software	107,073	5,000	-	112,073
Vehicles	1,311,968	455,923	234,487	1,533,404
	<u>3,033,360</u>	<u>460,923</u>	<u>234,487</u>	<u>3,259,796</u>
Less accumulated depreciation	1,351,462	251,258	229,254	1,373,466
Property and equipment, net	<u>\$ 1,681,898</u>	<u>\$ 209,665</u>	<u>\$ 5,233</u>	<u>\$ 1,886,330</u>

NOTE F - NOTES PAYABLE

Notes payable at June 30, 2011, consisted of the following:

Capital Match Revolving Loan administered by the Iowa Department of Transportation to provide a portion of the local share financing for the GPS routing system installed on their transportation vehicles. The loan agreement calls for no interest charges, due in annual installments with a final payment on December 31, 2013. \$ 28,314

The Authority received a total of \$192,369 in loan proceeds from the Jackson County Revolving Loan Fund as a Bridge Loan for the purchase of new busses. The loan agreement calls for no interest and one installment of \$192,369, due on or before September 12, 2011. The note is secured by Vehicle Titles on four busses. 192,369

Total \$ 220,683

	Balances 6/30/10	Additions	Removals	Balances 6/30/11
Iowa DOT	\$ 44,495	\$ -	\$ 16,181	\$ 28,314
Jackson County	<u>-</u>	<u>192,369</u>	<u>-</u>	<u>192,369</u>
Totals	<u>\$ 44,495</u>	<u>\$ 192,369</u>	<u>\$ 16,181</u>	<u>\$ 220,683</u>

Delaware, Dubuque and Jackson County
Regional Transit Authority
Dubuque, Iowa
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE F - NOTES PAYABLE - CONTINUED

The remaining principal payments as of June 30, 2011 are as follows:

<u>Year ended June 30,</u>		
2012	\$	208,550
2013		6,067
2014		<u>6,066</u>
Total	\$	<u>220,683</u>

NOTE G - DEFERRED REVENUE

Revenue from services and leases is deferred and recognized over the periods to which the services and leases relate.

Deferred revenue at June 30, 2011 consists of:

Preston Community Bus Service	\$	12,923
City of Dubuque lease		19,635
Insurance proceeds		<u>4,051</u>
		<u>\$ 36,609</u>

NOTE H - EMPLOYEE RETIREMENT PLANS

All eligible Regional Transit Authority employees may participate in the RTA 401(k) Plan. The Plan is tax qualified under Section 401(k) of the Internal Revenue Code and all contributions, by or on behalf of employees, is tax deferred until time of withdrawal. Contributions are not required, but employees may elect to make voluntary contributions within the prescribed limits of the code. The Authority will contribute a matching amount equal to 50% of salary deferrals up to six percent of the employee's paid compensation. The Authority's total payroll for the fiscal years ended June 30, 2011 and 2010 was \$438,878 and \$447,091, respectively. The Authority contributed a matching amount for the fiscal years ended June 30, 2011 and 2010 of \$7,400 and \$5,274, respectively, for the employees who elected to participate.

NOTE I - RELATED PARTY

The Regional Transit Authority, related to the East Central Intergovernmental Association through common management, is provided management services and office space. Balances with ECIA at and for the years ended June 30, 2011 and June 30, 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Accounts payable	\$ 75,231	\$ 71,172
Management services	\$ 405,195	\$ 409,052

Delaware, Dubuque and Jackson County
Regional Transit Authority
Dubuque, Iowa
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE J - BOARD-DESIGNATED NET ASSETS

The Regional Transit Authority's Board of Directors has designated net assets for capital replacement of \$51,605 and \$52,499 as of June 30, 2011 and June 30, 2010, respectively.

NOTE K - UNCERTAIN TAX POSITIONS

The Authority has determined there are no uncertain tax positions as of June 30, 2011. Tax returns for the past three tax years remain open for examination by tax jurisdictions.

NOTE L - OPERATING LEASE, AS LESSOR

The Authority, leases two Pinnacle vans to the City of Dubuque. Lease revenue for the year ended June 30, 2011 was \$6,545. The City of Dubuque has paid the lease in full and \$19,635 is reflected as deferred revenue on the statements of financial position. Minimum annual rentals are as follows:

Year ended June 30, 2012	\$ 6,545
2013	6,545
2014	<u>6,545</u>
Total minimum rentals	<u>\$19,635</u>

SUPPLEMENTAL INFORMATION

Delaware, Dubuque and Jackson County
Regional Transit Authority
Dubuque, Iowa

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended June 30, 2011, with Comparative Totals for 2010

	Program Services			Management and General	Fundraising	Totals	
	Operating	Maintenance	Volunteers			2011	2010
Payroll	\$ 438,878	\$ -	\$ -	\$ -	\$ -	\$ 438,878	\$ 447,091
Payroll taxes	33,642	-	-	-	-	33,642	33,991
Employee benefits	91,166	-	-	-	-	91,166	92,127
Total compensation	<u>563,686</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>563,686</u>	<u>573,209</u>
Advertising	-	-	-	-	-	-	2,600
Bad debt expense	-	-	-	720	-	720	498
Communications	-	8,259	-	-	-	8,259	10,552
Computer support	-	-	-	2,000	-	2,000	-
Contracted services	213,634	-	-	191,561	-	405,195	409,052
Education/conferences	-	-	-	6,898	-	6,898	7,704
Employee recognition	-	-	-	707	-	707	426
Gas/oil	-	166,420	-	-	-	166,420	133,007
Insurance							
Liability/umbrella	-	33,698	124	-	-	33,822	32,678
Vehicle	-	40,619	-	-	-	40,619	32,351
Marketing & Recruiting	-	-	-	5,157	-	5,157	6,316
Meals	-	-	621	-	-	621	455
Professional services	-	-	-	6,206	-	6,206	4,275
Office equipment	-	-	-	1,913	-	1,913	-
Office furniture	-	-	-	504	-	504	-
Organization dues	-	-	-	2,841	-	2,841	1,063
Repair & maintenance							
Facility/general	-	9,313	-	764	-	10,077	4,965
Vehicle	-	114,022	-	-	-	114,022	97,726
Rent	-	-	-	8,400	-	8,400	7,200
Service charges	-	-	-	701	-	701	876
Software support	30,233	-	-	-	-	30,233	32,982
Supplies	-	-	-	490	-	490	681
Telephone	-	-	-	4,485	-	4,485	4,857
Transportation	-	-	7,563	-	-	7,563	5,744
Utilities	-	13,236	-	-	-	13,236	10,649
Depreciation	-	201,007	-	50,251	-	251,258	280,324
Fundraising expenses	-	-	-	-	13,101	13,101	-
Other expenses	-	1,810	-	4,343	-	6,153	8,722
	<u>243,867</u>	<u>588,384</u>	<u>8,308</u>	<u>287,941</u>	<u>13,101</u>	<u>1,141,601</u>	<u>1,095,703</u>
Total expenses	\$ <u>807,553</u>	\$ <u>588,384</u>	\$ <u>8,308</u>	\$ <u>287,941</u>	\$ <u>13,101</u>	\$ <u>1,705,287</u>	\$ <u>1,668,912</u>

Delaware, Dubuque and Jackson County
Regional Transit Authority
Dubuque, Iowa
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year ended June 30, 2011

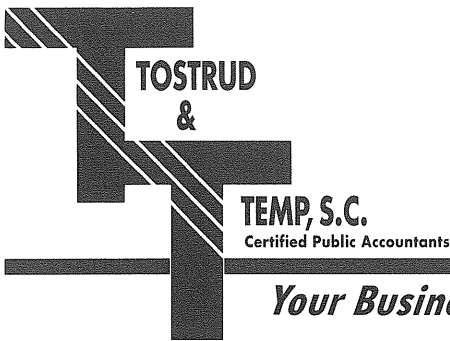
FEDERAL AWARDS	Federal Catalog Number	Program or Award Amount	Receivable at July 1, 2010	Expenditures	Revenues		Receivable at June 30, 2011
					Grantor	Local	
United States Department of Transportation Passed through City of Dubuque Federal Transit - Capital Investment Grants October 1, 2010 to September 30, 2013	20.500	\$ 193,065	\$ -	\$ 193,065	\$ -	\$ -	\$ 193,065
United States Department of Transportation Passed through Iowa Department of Transportation Federal Transit - Capital Investment Grants October 1, 2008 to December 30, 2010	20.500	\$ 313,325	-	232,609	181,456	51,153	-
Federal Transit - Non-Urban Operating Assistance July 1, 2010 to June 30, 2011	20.509	\$ 170,575	-	341,150	170,575	170,575	-
Job Access Reverse Commute July 1, 2010 to September 30, 2011	20.516	\$ 99,220	-	198,440	89,415	99,220	9,805
New Freedom Operating Assistance Project October 1, 2009 to September 30, 2011	20.521	\$ 115,400	12,011	99,708	69,264	26,296	16,159
			<u>12,011</u>	<u>871,907</u>	<u>510,710</u>	<u>347,244</u>	<u>25,964</u>
Total Federal Financial Assistance			<u>\$ 12,011</u>	<u>\$ 1,064,972</u>	<u>\$ 510,710</u>	<u>\$ 347,244</u>	<u>\$ 219,029</u>

STATE AWARDS	I.D. Number	Program or Award Amount	Receivable at July 1, 2010	Expenditures	Revenue		Receivable at June 30, 2011
					State Reimbursements	Local	
IOWA DEPARTMENT OF TRANSPORTATION Passed through Iowa Department of Transportation for State Transit Assistance Operating Assistance Grant August 1, 2009 to July 31, 2011	N/A	\$ 94,889	\$ -	\$ 10,544	\$ 10,544	\$ -	\$ -
Formula support services July 1, 2010 to June 30, 2011	N/A	\$ 207,155	-	207,155	207,155	-	-
Total Iowa Assistance			<u>\$ -</u>	<u>\$ 217,699</u>	<u>\$ 217,699</u>	<u>\$ -</u>	<u>\$ -</u>

* Denotes Major Program

Note: This report is prepared on the accrual basis of accounting.

OTHER REPORTS



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Your Business Safety Net

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

Board of Directors
Delaware, Dubuque and Jackson County
Regional Transit Authority
Dubuque, Iowa

We have audited the financial statements of the Delaware, Dubuque and Jackson County Regional Transit Authority (a non-profit corporation) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 31, 2011. 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.

Compliance

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

Internal Control Over Financial Reporting

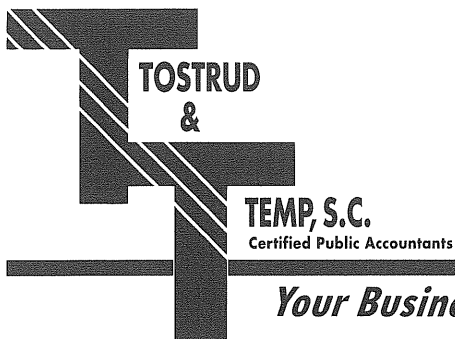
In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees

in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management, and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

Tastud + Temp, S.C.

October 31, 2011



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Your Business Safety Net

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Delaware, Dubuque and Jackson County
Regional Transit Authority

Compliance

We have audited the compliance of Delaware, Dubuque and Jackson County Regional Transit Authority (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, Delaware, Dubuque and Jackson County Regional Transit Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Delaware, Dubuque and Jackson County Regional Transit Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, board of directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Testrud + Temp, S.C.

October 31, 2011

Delaware, Dubuque and Jackson County
Regional Transit Authority
Dubuque, Iowa
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Significant deficiency(ies) identified? ___ yes X no
Significant deficiency(ies) identified not
considered to be material weaknesses? ___ yes X none reported

Noncompliance material to the financial statements? ___ yes X no

Federal Awards

Internal control over financial reporting:
Significant deficiency(ies) identified? ___ yes X no
Significant deficiency(ies) identified not
considered to be material weaknesses? ___ yes X none reported

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

Any audit findings disclosed that are required
to be reported in accordance with Circular A-133
Section .510(1)? ___ yes X no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.516/20.521	Transit Services Programs Cluster
20.500	Transit Capital Investment Grants

Dollar threshold used to distinguish
between Type A and Type B programs \$300,000

Auditee qualified as a low-risk auditee? X yes ___ no

Section II - Financial Statement Findings

NONE

Section III - Federal Findings and Questioned Costs

NONE

Status of Prior Audit Findings

There were no prior-year audit findings.