

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

**Financial Statements and  
Supplementary Information**

**June 30, 2025**

**Delaware, Dubuque and Jackson County Regional Transit Authority  
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## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of the Delaware, Dubuque and Jackson County Regional Transit Authority (the Authority), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of June 30, 2025, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

As discussed in Note 6 to the financial statements, the Authority restated its beginning net assets as of July 1, 2024 to correct an error related to the understatement of receivables and related grant revenue in the prior year. Accordingly, net assets as of July 1, 2024 have been increased by \$674,456. Our opinion is not modified with respect to this matter.

#### ***Other Matter***

The financial statements of the Authority for the year ended June 30, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on October 31, 2024.

#### ***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.

### ***Responsibilities of Management for the Financial Statements (Continued)***

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year after the date that the financial statements were available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority'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 state awards is presented for purposes of additional analysis of the financial statements and is not considered a required part of the financial statements. 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* (Uniform Guidance), 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 state awards and the schedule of expenditures of federal awards are 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 26, 2026, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Bergank DV, Ltd.*

Minneapolis, Minnesota  
February 26, 2026

**Delaware, Dubuque and Jackson County Regional Transit Authority**  
**Statement of Financial Position**  
**As of June 30, 2025**

**Assets**

|                             |    |                         |
|-----------------------------|----|-------------------------|
| Cash and cash equivalents   | \$ | 924,036                 |
| Investments                 |    | 1,867,361               |
| Receivables                 |    |                         |
| Trade                       |    | 298,491                 |
| Grants                      |    | 115,182                 |
| Prepaid expenses            |    | 4,385                   |
| Property and equipment, net |    | <u>2,502,002</u>        |
| Total assets                | \$ | <u><u>5,711,457</u></u> |

**Liabilities and Net Assets**

Liabilities

|                                    |    |                |
|------------------------------------|----|----------------|
| Accounts payable                   | \$ | 106,523        |
| Wages and related benefits payable |    | 21,416         |
| Accrued compensated absences       |    | 25,290         |
| Unearned revenue                   |    | <u>2,927</u>   |
| Total liabilities                  |    | <u>156,156</u> |

Net assets

|                                      |    |                         |
|--------------------------------------|----|-------------------------|
| Without donor restrictions           |    |                         |
| Board-designated                     |    | 1,997,556               |
| Investment in property and equipment |    | 2,502,002               |
| Undesignated                         |    | <u>1,055,743</u>        |
| Total net assets                     |    | <u>5,555,301</u>        |
| Total liabilities and net assets     | \$ | <u><u>5,711,457</u></u> |

**Delaware, Dubuque and Jackson County Regional Transit Authority**  
**Statement of Activities**  
**Year Ended June 30, 2025**

|   | <u>Without<br/>Donor<br/>Restrictions</u> |
|---|---|
| <b>Revenues</b>   |   |
| Grants and contracts revenue                              |   |
| Federal grants  | \$ 1,090,236                              |
| State grants  | 491,640                                   |
| Transportation contracts                                  | 1,065,476                                 |
| Other local grants  | 20,000                                    |
| Total grants and contracts revenue                        | <u>2,667,352</u>                          |
| Other revenue   |   |
| Program fees  | 38,527                                    |
| Replacement capital                                       | 45,985                                    |
| Miscellaneous   | 56,647                                    |
| Total other revenue                                       | <u>141,159</u>                            |
| Total revenues  | <u>2,808,511</u>                          |
| <b>Expenses</b>   |   |
| Program services  |   |
| Operating   | 953,819                                   |
| Maintenance   | 777,472                                   |
| Volunteers  | 6,953                                     |
| Supporting services                                       |   |
| Management and general                                    | <u>675,457</u>                            |
| Total expenses  | <u>2,413,701</u>                          |
| Change in net assets                                      | <u>394,810</u>                            |
| Net assets, beginning of year, as previously reported     | 4,486,035                                 |
| Restatement of beginning net assets - correction of error | <u>674,456</u>                            |
| Net assets, beginning of year, as restated                | <u>5,160,491</u>                          |
| Net assets, end of year                                   | <u><u>\$ 5,555,301</u></u>                |

**Delaware, Dubuque and Jackson County Regional Transit Authority**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2025**

|   | Program Services  |                   |                 | Management<br>and General | Total               |
|---|-------------------|-------------------|-----------------|---------------------------|---------------------|
|   | Operating         | Maintenance       | Volunteers      |                           |                     |
| <b>Wages and Related Taxes and Benefits</b> |                   |                   |                 |                           |                     |
| Wages                                       | \$ 574,723        | \$ -              | \$ -            | \$ 574,723                | \$ 574,723          |
| Payroll taxes                               | 43,607            | -                 | -               | 43,607                    | 43,607              |
| Employee benefits                           | 63,412            | -                 | -               | 63,412                    | 63,412              |
| Total wages and related taxes and benefits  | 681,742           | -                 | -               | 681,742                   | 681,742             |
| <b>Other Expenses</b>                       |                   |                   |                 |                           |                     |
| Communications                              | -                 | 11,395            | -               | 11,395                    | 11,395              |
| Contracted services                         | 272,077           | -                 | -               | 272,077                   | 449,566             |
| Education and conferences                   | -                 | -                 | -               | -                         | 1,594               |
| Employee recognition                        | -                 | -                 | -               | -                         | 3,232               |
| Gas and oil                                 | -                 | 147,706           | -               | 147,706                   | 147,706             |
| Insurance                                   |                   |                   |                 |                           |                     |
| Liability and umbrella                      | -                 | 36,145            | -               | 36,145                    | 36,145              |
| Vehicle                                     | -                 | 79,949            | -               | 79,949                    | 79,949              |
| Marketing and recruiting                    | -                 | -                 | -               | -                         | 1,483               |
| Professional services                       | -                 | -                 | -               | -                         | 10,722              |
| Office expense                              | -                 | -                 | -               | -                         | 255                 |
| Organization dues                           | -                 | -                 | -               | -                         | 4,325               |
| Repairs and maintenance                     |                   |                   |                 |                           |                     |
| Facility and general                        | -                 | 24,325            | -               | 24,325                    | 24,325              |
| Vehicle                                     | -                 | 103,459           | -               | 103,459                   | 103,459             |
| Software support                            | -                 | -                 | -               | -                         | 6,114               |
| Telephone                                   | -                 | -                 | -               | -                         | 4,396               |
| Transportation                              | -                 | -                 | 6,953           | 6,953                     | 272                 |
| Utilities                                   | -                 | 12,029            | -               | 12,029                    | 12,029              |
| Depreciation                                | -                 | 362,464           | -               | 362,464                   | 90,616              |
| Miscellaneous                               | -                 | -                 | -               | -                         | 102,882             |
| <b>Total expenses</b>                       | <b>\$ 953,819</b> | <b>\$ 777,472</b> | <b>\$ 6,953</b> | <b>\$ 1,738,244</b>       | <b>\$ 675,457</b>   |
|   |                   |                   |                 |                           | <b>\$ 2,413,701</b> |

See notes to financial statements.

**Delaware, Dubuque and Jackson County Regional Transit Authority**  
**Statement of Cash Flows**  
**Year Ended June 30, 2025**

**Cash Flows - Operating Activities**

|  |            |
|--|------------|
| Change in net assets   | \$ 394,810 |
| Adjustments to reconcile change in net assets to net cash flows - operating activities |            |
| Depreciation   | 453,080    |
| Changes in operating assets and liabilities  |            |
| Receivables  | (49,154)   |
| Prepaid expenses   | 5,000      |
| Accounts payable   | (89,810)   |
| Wages and related benefits payable   | 5,951      |
| Accrued compensated absences   | 3,192      |
| Unearned revenue   | 600        |
| Net cash flows - operating activities  | 723,669    |

**Cash Flows - Investing Activities**

|  |             |
|--|-------------|
| Purchases property and equipment                     | (270,543)   |
| Proceeds from prior years capital acquisition grants | 674,456     |
| Proceeds from disposal of property and equipment     | 15,633      |
| Purchase of investments                              | (1,141,505) |
| Net cash flows - investing activities                | (721,959)   |

Net change in cash and cash equivalents 1,710

**Cash and Cash and Equivalents**

|                   |            |
|-------------------|------------|
| Beginning of year | 922,326    |
| End of year       | \$ 924,036 |

**Noncash Investing and Financing Activities**

|   |           |
|---|-----------|
| Property and equipment additions included in accounts payable | \$ 13,407 |
|---|-----------|

# Delaware, Dubuque and Jackson County Regional Transit Authority

## Notes to Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity and Nature of Business

The Delaware, Dubuque and Jackson County Regional Transit Authority (the Authority) was formed to improve, consolidate, and coordinate transportation services in the State of Iowa Planning Area VIII (excluding the City of Dubuque). The Authority receives significant revenue from contracts for transportation services, as well as, the State of Iowa transit operation assistance grant, the U.S. DOT Section 16 Rural Transit Operating Assistance grant, federal capital equipment grants, and passenger fares.

#### Accounting Estimates

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

#### Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

#### Concentrations

The Authority maintains cash and investment balances at two financial institutions located in the Dubuque area. As of June 30, 2025, \$2,291,397 of the Authority's deposits were in excess of Federal Deposit Insurance Corporation (FDIC) coverage. When deposits exceed the FDIC coverage, the Authority relies on the State Sinking Fund in accordance with Chapter 12c of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. The Authority has not experienced any losses for uninsured balances. The Authority believes it is not exposed to any significant credit risk on cash and investments.

For the year ended June 30, 2025, the Authority received approximately 39% of total revenue from the U.S. DOT, 18% from the State of Iowa DOT, 13% from Iowa Medicaid (Title XIX), and 11% from Dubuque County. As of June 30, 2025, approximately 27% was due from the U.S. DOT through the State of Iowa DOT and 13% was due from TMS Management Group, Inc. related to the Title XIX funding.

#### Investments

The Authority has certificates of deposits in the amount of \$1,867,361 that are recorded at cost, which approximates fair value.

#### Receivables

Receivables are stated at the amount the Authority expects to collect from balances outstanding at year-end. The Authority provides for probable uncollectible amounts on a continuous basis at the point of original recognition. As of June 30, 2025 and 2024, no allowance for uncollectible receivables was considered necessary. Receivables primarily consist of amounts due on transportation contracts from various agencies.

# Delaware, Dubuque and Jackson County Regional Transit Authority

## Notes to Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Property and Equipment**

Property and equipment are carried at cost, or fair value if donated, with depreciation computed under the straight-line method over the economic useful lives of the assets. The Authority follows the policy of capitalizing all property and equipment expenditures of \$10,000 or more and with a useful life of over one year. Property and equipment purchased with grant funds are owned by the Authority while used in the program for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations.

#### **Long-Lived Assets**

The Authority records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. There were no impairment losses for the year ended June 30, 2025.

#### **Accrued Compensated Absences**

Employees under contract with the 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 180 hours by a part-time employee. Upon termination of employment, the Authority pays for any unused hours at the terminated employee's current pay rate. This liability is accrued on the statement of financial position.

#### **Net Assets**

Net assets and revenues are classified based on the existence or absence of donor-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-imposed restrictions. The Authority's Board of Directors may designate net assets without restrictions for specific purposes from time to time. The Authority's Board of Directors has designated net assets for capital replacement in the amount of \$1,997,556 as of June 30, 2025.

Net assets with donor restrictions - Net assets subject to donor or grantor-imposed restrictions. Some donor-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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. For the year ended June 30, 2025, the Authority did not have any donor-restricted activity.

# **Delaware, Dubuque and Jackson County Regional Transit Authority**

## **Notes to Financial Statements**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Revenue Recognition**

The Authority recognizes contract revenue, non-contract revenue and fare revenue for transportation services when the service is provided. Prices are specific to a distinct performance obligation and do not consist of multiple transactions. All contracted services and non-contract services revenue received prior to the commencement of the fiscal year are deferred to the applicable period. Generally, the Authority issues invoices/reimbursement requests within a month of the service being provided.

The Authority recognizes grants which are more contribution-like in nature when cash, securities, or other assets (an unconditional promise to give or a notification of a beneficial interest) are 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 met. A large portion of the Authority's revenue is driven from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/or the occurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Authority has incurred the expenditures in compliance with specific contract or grant provisions.

#### **In-Kind Contributions**

The Authority receives donated services from a variety of unpaid volunteers who assist the Authority in carrying out various transportation services. However, no amounts have been recognized as income or expense in the current year financial statements for these services because they neither create or enhance a nonfinancial asset or required specialized skills in accordance with professional standards.

#### **Functional Allocation of Expenses**

The costs of program and supporting services 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. Certain expenses are attributable to more than one program or supporting function. Depreciation is allocated between program services and management and general based on estimates of square footage and related usage. Contracted services are allocated between program and management and general based on estimates of time and effort.

#### **Tax Status**

The Authority is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the Code.

#### **Subsequent Events**

The Authority has evaluated for subsequent events through February 26, 2026, the date on which the financial statements were available to be issued.

**Delaware, Dubuque and Jackson County Regional Transit Authority**  
**Notes to Financial Statements**

**NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consisted of the following as of June 30, 2025:

|   |              |
|---|--------------|
| Cash and cash equivalents                                 | \$ 924,036   |
| Investments   | 1,867,361    |
| Trade receivables   | 298,491      |
| Grants receivable   | 115,182      |
| Total financial assets                                    | 3,205,070    |
| Less: board-designated net assets for capital replacement | 1,997,556    |
| Financial assets available for general expenditure        | \$ 1,207,514 |

**NOTE 3 - PROPERTY AND EQUIPMENT**

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

|                               |              |
|-------------------------------|--------------|
| Land                          | \$ 277,931   |
| Land improvements             | 19,538       |
| Building                      | 1,536,392    |
| Building improvements         | 25,396       |
| Equipment                     | 207,538      |
| Furniture                     | 1,916        |
| Software                      | 174,818      |
| Solar panels                  | 61,696       |
| Vehicles                      | 3,223,449    |
| Total property and equipment  | 5,528,674    |
| Less accumulated depreciation | 3,026,672    |
| Property and equipment, net   | \$ 2,502,002 |

**NOTE 4 - EMPLOYEE RETIREMENT PLAN**

All eligible employees may participate in the Authority’s retirement plan. The Plan is 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 withdraw. Contributions are not required, but employees may elect to make voluntary contributions within the prescribed limits of the Internal Revenue Code. The Authority will contribute a matching amount equal to 50% of employee wage deferrals. Employee deferrals up to 10% are matched up to 5% by the Authority. For the year ended June 30, 2025, the Authority contributed \$4,190 in matching contributions.

## **Delaware, Dubuque and Jackson County Regional Transit Authority Notes to Financial Statements**

### **NOTE 5 - RELATED PARTY TRANSACTIONS**

The Authority is related to East Central Intergovernmental Association (ECIA) by virtue of its working agreement with the Authority. The Authority occupies office space, consumes operating supplies, and uses the management services of ECIA. The Authority is billed for such expenses through an indirect cost allocation plan as required by the Common Rule in the Uniform Guidance. ECIA also provides employees to perform dispatch services and mobility coordination. The contract with ECIA has the option to renew upon the approval of the Board of Directors. The Board of Directors voted to renew this contract effective May 10, 2021 for five years covering through the year ending June 30, 2026. Expenses for ECIA services for the year ended June 30, 2025 totaled \$721,643. As of June 30, 2025, the Authority owed \$43,835 to ECIA for services provided.

### **NOTE 6 - RESTATEMENT OF BEGINNING NET ASSETS**

An error in the financial statements for prior periods related to the recognition of capital grant revenue and the related grant receivable was identified. Specifically, certain capital grant revenue was not recognized in prior periods and the related receivable balances were understated as of the prior year-end. The error resulted in an understatement of net assets as of the beginning of fiscal year 2025. Management evaluated the impact of this error and concluded that a restatement of beginning net assets was required to properly present the financial position of the Authority in accordance with accounting principles generally accepted in the United States of America.

Accordingly, the Authority has restated beginning net assets as of July 1, 2024 to correct the cumulative effect of the error. The effect of the restatement was an increase in beginning net assets of \$674,456, which reflects the inclusion of capital grant revenue and the related receivables that should have been recognized in a prior period.

### **NOTE 7 - CONTINGENCIES**

Financial awards from federal and state governmental entities in the form of grants are subject to special audits. Such audits could result in claims against the Authority for disallowed costs or noncompliance with grantor restrictions.

## **SUPPLEMENTARY INFORMATION**

**Delaware, Dubuque and Jackson County Regional Transit Authority**  
**Schedules of Expenditures of Federal Awards and State Awards**  
**Year Ended June 30, 2025**

| <u>Federal Grantor/Pass-Through Grantor/<br/>Program Title or Cluster</u>                                    | <u>Assistance<br/>Listing<br/>Number</u> | <u>Pass-<br/>Through<br/>Identifying<br/>Number</u> | <u>Expenditures</u>        |
|--|--|---|----------------------------|
| <b>U.S. Department of Transportation</b>   |  |   |                            |
| Passed through Iowa Department of Transportation   |  |   |                            |
| Formula Grants for Rural Areas and Tribal Transit Program  | 20.509                                   | Various   | \$ 829,423                 |
| Buses and Bus Facilities Formula, Competitive, and Low<br>or No Emissions Programs (Federal Transit Cluster) | 20.526                                   | Various   | <u>260,813</u>             |
| Total expenditures of federal awards   |  |   | <u><u>\$ 1,090,236</u></u> |

See notes to the schedule of expenditures of federal awards.

**State Awards**

**Iowa Department of Transportation**

State Transit Assistance - Formula Project

|                          |                          |
|--------------------------|--------------------------|
| Award STA-FORM-080-SFY25 | <u><u>\$ 491,640</u></u> |
|--------------------------|--------------------------|

**Delaware, Dubuque and Jackson County Regional Transit Authority**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2025**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Delaware, Dubuque and Jackson County Regional Transit Authority (the Authority) under programs of the federal government for the year ended June 30, 2025. 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 the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting which conform to accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 - INDIRECT COST RATE**

The Authority has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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

We have audited, 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, the financial statements of Delaware, Dubuque and Jackson County Regional Transit Authority, which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 26, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Delaware, Dubuque and Jackson County Regional Transit Authority's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Delaware, Dubuque and Jackson County Regional Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Delaware, Dubuque and Jackson County Regional Transit Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a material weakness.

**Report on Compliance and Other Matters**

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

**Response to the Finding**

*Government Auditing Standards* requires the auditor to perform certain limited procedures on the Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Delaware, Dubuque and Jackson County Regional Transit Authority'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV, Ltd.

Minneapolis, Minnesota  
February 26, 2026



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

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Delaware, Dubuque and Jackson County Regional Transit Authority's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Delaware, Dubuque and Jackson County Regional Transit Authority's major federal program for the year ended June 30, 2025. Delaware, Dubuque and Jackson County Regional Transit Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Delaware, Dubuque and Jackson County Regional Transit Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

***Basis for Opinion on Each Major Federal Program***

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

We are required to be independent of Delaware, Dubuque and Jackson County Regional Transit Authority 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 Delaware, Dubuque and Jackson County Regional Transit Authority'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 Delaware, Dubuque and Jackson County Regional Transit Authority'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 Delaware, Dubuque and Jackson County Regional Transit Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Delaware, Dubuque and Jackson County Regional Transit Authority's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Delaware, Dubuque and Jackson County Regional Transit Authority'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 Delaware, Dubuque and Jackson County Regional Transit Authority'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 Delaware, Dubuque and Jackson County Regional Transit Authority'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.

BerganKDV, Ltd.

Minneapolis, Minnesota  
February 26, 2026

**Delaware, Dubuque and Jackson County Regional Transit Authority  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2025**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major federal programs

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

**Identification of Major Programs**

Assistance Listing No. 20.509  
 Name of Federal Program or Cluster Formula Grants for Rural Areas and Tribal Transit Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

**Delaware, Dubuque and Jackson County Regional Transit Authority**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2025**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Finding 2025-001 - Material Weakness - Restatement of Beginning Net Assets**

***Criteria***

Accounting principles generally accepted in the United States of America (GAAP) require capital grant revenue and related receivables to be recognized in the appropriate period in accordance with applicable revenue recognition guidance (including ASC 958-605 or ASC 606, as applicable) and ASC 450 and ASC 310, as relevant to receivable recognition. In addition, ASC 250, Accounting Changes and Error Corrections, requires the correction of material errors in prior period financial statements through a restatement of beginning net assets. *Government Auditing Standards* require management to establish and maintain effective internal control over financial reporting to provide reasonable assurance that financial statements are prepared in accordance with GAAP and are free from material misstatement, whether due to error or fraud.

***Condition***

During the audit, the auditors identified an error in the Authority's prior period financial statements related to the recognition of capital grant revenue and the related grant receivable balances. Capital grant revenue and receivables that met the applicable GAAP recognition criteria were not recorded in the appropriate periods, resulting in an understatement of both revenue and receivables in prior periods. As a result, beginning net assets as of the start of the year were understated. Management recorded a restatement to beginning net assets to correct the cumulative effect of the error in accordance with ASC 250.

***Cause***

The error was caused by deficiencies in internal control over financial reporting related to the identification, evaluation, and accounting for capital grant transactions. The controls were lacking in regard to ensuring that all capital grant agreements were evaluated timely and that revenue recognition criteria under applicable accounting guidance were appropriately applied.

***Effect***

The understatement of capital grant revenue and receivables resulted in prior period financial statements not being presented in accordance with GAAP and required a restatement of beginning net assets for the fiscal year 2025 financial statements. Had the error not been identified and corrected, the Authority's results of operations could have been materially misstated, potentially impacting financial statement users' understanding of the Authority's capital funding and overall financial condition.

***Views of Responsible Officials and Planned Corrective Action***

Management agrees with the finding. Management has recorded a restatement to beginning net assets to correct the prior period error. To prevent recurrence, management plans to strengthen internal controls over capital grant accounting by implementing enhanced review procedures and improving documentation of grant eligibility determinations. Management expects these corrective actions to be fully implemented during fiscal year 2026.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.