FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DELAWARE, DUBUQUE AND JACKSON COUNTY
REGIONAL TRANSIT AUTHORITY

June 30, 2013 and 2012

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	5
STATEMENTS OF ACTIVITIES	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8
SUPPLEMENTAL INFORMATION	14
SCHEDULE OF FUNCTIONAL EXPENSES	15
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS	16
OTHER REPORTS	17
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	18
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	20
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	22

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Delaware, Dubuque and Jackson County Regional Transit Authority ("Regional Transit Authority"), (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Regional Transit Authority as of June 30, 2013, 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.

Other Matters

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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2013, on our consideration of the 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, and not to provide an opinion on 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 Regional Transit Authority's internal control over financial reporting and compliance.

Tostrud & Temp, S.C.

October 24, 2013

Delaware, Dubuque and Jackson County
Regional Transit Authority
Dubuque, Iowa
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash	$ 222,324	$ 117,506
Accounts receivable		
Trade	157,211	174,350
Grants	74,571	157,447
Prepaid expenses	38,169	3,218
Total current assets	492,275	452,521
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation	1,585,719	1,746,662
Total assets	$ 2,077,994	$ 2,199,183

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Note payable - current portion	$ 6,066	$ 6,067
Accounts payable		
Trade	30,005	91,350
Related party	43,582	45,177
Accrued liabilities		
Payroll and paid time off	26,926	28,386
Payroll taxes and benefits	988	4,973
Unearned revenue	4,500	-
Total current liabilities	112,067	175,953
LONG-TERM LIABILITIES		
Notes payable, net of current portion	-	6,066
Total liabilities	112,067	182,019
NET ASSETS		
Unrestricted		
Board designated	124,154	82,296
Unrestricted	1,841,773	1,934,868
Total net assets	1,965,927	2,017,164
Total liabilities and net assets	$ 2,077,994	$ 2,199,183

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, 2013 and 2012

	2013	2012
REVENUE AND OTHER SUPPORT		
Grants and contracts		
Federal grants	$ 541,255	$ 453,194
State grants	266,094	246,381
Transportation contracts	830,701	949,795
Program fees	84,556	110,853
Contributions	235	8,396
Fundraising	470	7,747
Transit fellowship	1,036	1,035
Replacement capital	4,914	6,002
Gain (loss) on disposal of assets	(1,414)	7,686
Miscellaneous income	5,588	5,115
Interest	457	466
Total revenue and other support	1,733,892	1,796,670
EXPENSES		
Program services		
Operating	930,045	909,382
Maintenance	573,485	584,331
Volunteers	10,479	8,179
Supporting services		
Management and general	271,120	307,610
Fundraising	-	4,766
Total expenses	1,785,129	1,814,268
Increase (decrease) in net assets	(51,237)	(17,598)
Net assets at beginning of year	2,017,164	2,034,762
Net assets at end of year	$ 1,965,927	$ 2,017,164

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, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Increase (decrease) in net assets	$ (51,237)	$ (17,598)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	257,633	241,986
Net loss (gain) on sale of equipment	1,414	(7,686)
Increase (decrease) in cash due to changes in:		
Accounts receivables	100,016	1,120
Prepaid expenses	(34,951)	20,068
Accounts payable	(62,940)	35,690
Accrued liabilities	(5,445)	(8,804)
Unearned revenue	4,500	(36,609)
Net cash provided by operating activities	208,990	228,167
Cash flows from investing activities		
Equipment and vehicles purchased	(98,705)	(103,974)
Proceeds from sale/transfer of equipment	600	9,342
Net cash used in investing activities	(98,105)	(94,632)
Cash flows from financing activities		
Loan proceeds for asset acquisitions	-	-
Debt reduction payments	(6,067)	(208,550)
Net cash used in financing activities	(6,067)	(208,550)
Net increase (decrease) in cash	104,818	(75,015)
Cash at beginning of year	117,506	192,521
Cash at end of year	$ 222,324	$ 117,506

The accompanying notes are an integral part of these statements.

NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

2. Income Tax Status

The 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:

	Years
Vehicles and equipment	5
Office furniture	5
Software	3
Building	39

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 Regional Transit Authority 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 Regional Transit Authority records the value of donated goods or services when there is an objective basis available to measure their value. The Regional Transit Authority receives donated services from a variety of unpaid volunteers who assist the Regional Transit Authority 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 the 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.

NOTE B - CASH AND INVESTMENTS

The 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, 2013, is classified in the accompanying financial statements as follows:

Statement of financial position	
Cash	$ 222,324

Cash and investments as of June 30, 2013 consist of the following:

	Carrying Amount	Bank Balance
Demand deposits	$ 146,590	$ 148,205
Savings and money market accounts	75,734	75,734
	$ 222,324	$ 223,939

Investments Authorized by the Authority's Investment Policy

The Regional Transit 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 Regional Transit 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 yearend, the Regional Transit 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.

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 Regional Transit Authority's deposits at June 30, 2013 were entirely covered by FDIC insurance, collateralized with securities or letters of credit held by the Regional Transit Authority or the Regional Transit Authority's agent in the Regional Transit 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 upon the approval of the Board of Directors. The Board of Directors voted to renew this contract effective June 6, 2012 for three years which covers fiscal years ending 2013, 2014 and 2015.

NOTE D - OTHER POST-EMPLOYMENT BENEFITS

The Regional Transit 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.

NOTE E - PROPERTY AND EQUIPMENT

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

	Balances 6/30/12	Additions	Removals	Balances 6/30/13
Land	$ 174,074	$ -	$ -	$ 174,074
Land improvements	11,120	-	-	11,120
Building	1,107,856	-	-	1,107,856
Equipment	313,259	54,689	-	367,948
Furniture	8,010	-	-	8,010
Software	112,073	44,015	109,290	46,798
Vehicles	1,522,979	-	-	1,522,979
	3,249,371	98,704	109,290	3,238,785
Less accumulated depreciation	1,502,709	257,633	107,276	1,653,066
Property and equipment, net	$ 1,746,662	$ (158,929)	$ 2,014	$ 1,585,719

NOTE F - NOTES PAYABLE

Notes payable at June 30, 2013 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.	$ 6,066

	Balances 6/30/12	Additions	Removals	Balances 6/30/13
Iowa DOT	$ 12,133	$ -	$ 6,067	$ 6,066
Totals	$ 12,133	$ -	$ 6,067	$ 6,066

The remaining principal payments as of June 30, 2013 are as follows:

Year ended June 30, 2014	$ 6,066

NOTE G - EMPLOYEE RETIREMENT PLAN

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 Regional Transit Authority will contribute a matching amount equal to 50% of salary deferrals up to six percent of the employee's paid compensation. The Regional Transit Authority's total payroll for the fiscal years ended June 30, 2013 and 2012 was $431,901 and $468,181, respectively. The Regional Transit Authority contributed a matching amount for the fiscal years ended June 30, 2013 and 2012 of $7,858 and $7,560, respectively, for the employees who elected to participate.

NOTE H - 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, 2013 and June 30, 2012 are as follows:

	2013	2012
Accounts payable	$ 43,582	$ 45,218
Management services	$ 530,805	$ 512,594

NOTE I - BOARD-DESIGNATED NET ASSETS

The Regional Transit Authority's Board of Directors has designated net assets for capital replacement of $124,154 and $82,296 as of June 30, 2013 and June 30, 2012, respectively.

NOTE J - UNCERTAIN TAX POSITIONS

The Regional Transit Authority has determined there are no uncertain tax positions as of June 30, 2013. Tax returns for the past three tax years remain open for examination by tax jurisdictions.

SUPPLEMENTAL INFORMATION

Delaware, Dubuque and Jackson County
Regional Transit Authority
Dubuque, Iowa
SCHEDULE OF FUNCTIONAL EXPENSES
Year ended June 30, 2013
(with comparative totals for 2012)

	Program Services			Management		Totals	
	Operating	Maintenance	Volunteers	and General	Fundraising	2013	2012
Payroll	$ 431,901	$ -	$ -	$ -	$ -	$ 431,901	$ 468,181
Payroll taxes	33,025	-	-	-	-	33,025	35,293
Employee benefits	95,607	-	-	-	-	95,607	89,125
Total compensation	560,533	-	-	-	-	560,533	592,599
Advertising	-	-	-	-	-	-	590
Bad debt expense	-	-	-	713	-	713	378
Communications	-	14,426	-	-	-	14,426	9,016
Computer support	-	-	-	5,683	-	5,683	6,000
Contracted services	369,512	-	-	161,293	-	530,805	512,594
Education/conferences	-	-	-	3,387	-	3,387	2,308
Employee recognition	-	-	-	1,188	-	1,188	1,960
Gas/oil	-	169,301	-	-	-	169,301	200,090
Insurance							
Liability/umbrella	-	22,026	122	-	-	22,148	27,446
Vehicle	-	36,554	-	-	-	36,554	33,364
Marketing & recruiting	-	-	-	6,139	-	6,139	6,214
Meals	-	-	233	-	-	233	211
Professional services	-	-	-	9,195	-	9,195	8,087
Office equipment	-	-	-	238	-	238	-
Organization dues	-	-	-	2,865	-	2,865	2,961
Printing	-	-	-	235	-	235	1,066
Repair & maintenance							
Facility/general	-	5,225	-	185	-	5,410	12,325
Vehicle	-	101,877	-	-	-	101,877	99,696
Rent	-	-	-	16,600	-	16,600	9,600
Service charges	-	-	-	645	-	645	586
Software support	-	-	-	-	-	-	-
Supplies	-	-	36	1,376	-	1,412	711
Telephone	-	-	-	5,525	-	5,525	4,792
Transportation	-	-	10,088	-	-	10,088	7,822
Utilities	-	13,793	-	-	-	13,793	10,981
Depreciation	-	206,106	-	51,527	-	257,633	241,986
Fundraising expenses	-	-	-	-	-	-	4,766
Other expenses	-	4,177	-	4,326	-	8,503	16,119
	369,512	573,485	10,479	271,120	-	1,224,596	1,221,669
Total expenses	$ 930,045	$ 573,485	$ 10,479	$ 271,120	$ -	$ 1,785,129	$ 1,814,268

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

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year ended June 30, 2013

FEDERAL AWARDS	Federal Catalog Number	Program or Award Amount	Receivable at July 1, 2012	Expenditures	Revenue Grantor	Revenue Local	Receivable at June 30, 2013
United States Department of Transportation							
Passed through City of Dubuque							
Federal Transit - Capital Investment Assistance Project	20.500						
October 1, 2010 to September 30, 2013		$ 32,560	$ -	$ 40,700	$ 32,560	$ 8,140	$ -
United States Department of Transportation							
Passed through Iowa Department of Transportation							
Federal Transit Administration - Capital Investment Assistance	20.500						
October 20, 2011 to March 31, 2014		$ 61,420	47,997	-	47,997	-	-
Federal Transit Administration - Non-Urban Operating Assistance	20.509 *						
October 1, 2012 to December 31, 2014		$ 219,532	-	439,064	219,532	219,532	-
July 1, 2012 to June 30, 2013		$ 59,770	-	45,013	-	9,003	36,010
Job Access/Reverse Commute Project	20.516 *			15,505			
October 1, 2011 to September 30, 2012		$ 150,000	-		15,505	-	-
October 1, 2012 to September 30, 2013		$ 123,628	88,615	247,254	193,214	123,627	19,028
New Freedom Assistance Project	20.521 *						
October 1, 2011 to September 30, 2013		$ 124,528	20,835	31,152	45,757	6,230	-
October 1, 2012 to September 30, 2013		$ 110,860	-	111,374	69,566	22,275	19,533
			157,447	889,362	591,571	380,667	74,571
Total Federal Financial Assistance			$ 157,447	$ 930,062	$ 624,131	$ 388,807	$ 74,571

STATE AWARDS	I.D. Number	Program or Award Amount	Receivable at July 1, 2012	Expenditures	Revenue State	Revenue Local	Receivable at June 30, 2013
IOWA DEPARTMENT OF TRANSPORTATION							
Passed through Iowa Department of Transportation for State Transit Assistance							
State Transit Assistance - Formula Project	N/A						
July 1, 2012 to June 30, 2013		$ 234,270	$ -	$ 266,094	$ 266,094	$ -	$ -
Total Iowa Assistance			$ -	$ 266,094	$ 266,094	$ -	$ -

* Denotes Major Program

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, 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 the Delaware, Dubuque and Jackson County Regional Transit Authority (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, 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 October 24, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Regional Transit Authority's internal control over financial reporting (internal control) to determine the 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 the Regional Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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 Regional Transit Authority'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 Regional Transit Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Toothman + Temp, S.C.

October 24, 2013

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Delaware, Dubuque and Jackson County Regional Transit Authorit'y compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2013. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above.

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 Nonprofit Organizations (OMB Circular A-133). Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above, that could have a material effect on the major federal programs, occurred. An audit includes examining, on a test basis, evidence about the Authority'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 on compliance with each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified above for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the OMB Circular A-133, 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 Authority's internal control over compliance.

A *deficiency in 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 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or 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 the attention by those charged with governance.

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

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 our testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Tostrud & Tomp, S.C.

October 24, 2013

Delaware, Dubuque and Jackson County
Regional Transit Authority
Dubuque, Iowa
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2013

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 compliance:		
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:

CFDA Number	Name of Federal Program or Cluster
20.516/20.521	Transit Services Programs Cluster
20.509	Formula Grants for Rural Areas

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

Auditee qualified as a low-risk auditee? ____ yes __X__ 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.