

**Scenic Valley Area VIII  
Agency on Aging**

**Financial Statements**

**June 30, 2011 and 2010**

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## Independent Auditor's Report

To the Board of Directors  
Scenic Valley Area VIII Agency on Aging  
Dubuque, Iowa

We have audited the accompanying statements of financial position of Scenic Valley Area VIII Agency on Aging (a non-profit organization) 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 Scenic Valley Area VIII Agency on Aging's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 our audits 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 statement presentation. We believe that our audits provide 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 Scenic Valley Area VIII Agency on Aging as of June 30, 2011 and 2010, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 19, 2011, on our consideration of Scenic Valley Area VIII Agency on Aging's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of 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 read in conjunction with this report in considering the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Scenic Valley Area VIII Agency on Aging taken as a whole. The supplemental information included on pages 16 through 19, is presented for the purpose 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 (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**HONKAMP KRUEGER & CO., P.C.**

*Honkamp Krueger & Co.*

Dubuque, Iowa  
October 19, 2011

**Scenic Valley Area VIII Agency on Aging  
Statements of Financial Position  
June 30, 2011 and 2010**

<b>ASSETS</b>	2011	2010
<b>Current Assets</b>		
Cash in Bank	\$ 610,855	\$ 620,720
Certificates of Deposit	246,263	243,166
Accounts Receivable	46,032	47,863
Subcontractor Receivable	-	44,424
Grants Receivable	25,234	19,296
Interest Receivable	1,120	379
Prepaid Expenses	20,453	16,033
Total Current Assets	949,957	991,881
<b>Property and Equipment, at Cost</b>		
Equipment	292,348	282,033
Less: Accumulated Depreciation	218,626	208,348
Property and Equipment, Net	73,722	73,685
Total Assets	\$ 1,023,679	\$ 1,065,566
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 95,446	\$ 118,312
Accrued Payroll	7,339	5,483
Accrued Vacation	15,723	20,193
Accrued Pension	39,127	35,615
Other Accrued Expenses	3,176	3,465
Refundable Advances	63,185	50,002
Total Current Liabilities	223,996	233,070
<b>Net Assets</b>		
Unrestricted	666,955	672,147
Temporarily Restricted	132,728	160,349
Total Net Assets	799,683	832,496
Total Liabilities and Net Assets	\$ 1,023,679	\$ 1,065,566

See Notes to Financial Statements

**Scenic Valley Area VIII Agency on Aging  
Statements of Activities  
For the Years Ended June 30, 2011 and 2010**

	<b>2011</b>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	
	<u>Operations</u>	<u>Operations</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Federal Grants	\$ -	\$ 642,774	\$ 642,774
State of Iowa Grants	-	343,564	343,564
Dubuque Racing Association Grant	-	3,500	3,500
Waiver Home Delivered Meals	-	59,031	59,031
County Supervisor	-	8,650	8,650
Contributions	-	328,185	328,185
Donations	5,626	1,208	6,834
Interest Income	11,238	-	11,238
Other Revenue	397,703	4,603	402,306
In Kind	-	14,093	14,093
Total Support and Revenue	<u>414,567</u>	<u>1,405,608</u>	<u>1,820,175</u>
<b>Net Assets Released from Restrictions:</b>			
Net Assets Released from Restrictions Due to Satisfaction of Program Restrictions	<u>1,433,229</u>	<u>(1,433,229)</u>	<u>-</u>
Total Revenue	<u>1,847,796</u>	<u>(27,621)</u>	<u>1,820,175</u>
<b>EXPENSES</b>			
<b>Program:</b>			
Area Plan Administration	114,461	-	114,461
Social Services	908,569	-	908,569
Nutrition Services	829,958	-	829,958
Total Expenses	<u>1,852,988</u>	<u>-</u>	<u>1,852,988</u>
Change in Net Assets	(5,192)	(27,621)	(32,813)
Net Assets, Beginning of Year	<u>672,147</u>	<u>160,349</u>	<u>832,496</u>
Net Assets, End of Year	<u>\$ 666,955</u>	<u>\$ 132,728</u>	<u>\$ 799,683</u>

<b>2010</b>		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	
<u>Operations</u>	<u>Operations</u>	<u>Total</u>
\$ -	\$ 723,446	\$ 723,446
-	235,639	235,639
-	-	-
-	74,046	74,046
-	9,650	9,650
-	326,546	326,546
5,004	696	5,700
15,115	-	15,115
391,215	4,114	395,329
-	33,114	33,114
<u>411,334</u>	<u>1,407,251</u>	<u>1,818,585</u>
<u>1,409,107</u>	<u>(1,409,107)</u>	<u>-</u>
<u>1,820,441</u>	<u>(1,856)</u>	<u>1,818,585</u>
100,964	-	100,964
887,706	-	887,706
773,984	-	773,984
<u>1,762,654</u>	<u>-</u>	<u>1,762,654</u>
57,787	(1,856)	55,931
<u>614,360</u>	<u>162,205</u>	<u>776,565</u>
<u>\$ 672,147</u>	<u>\$ 160,349</u>	<u>\$ 832,496</u>

See Notes to Financial Statements

**Scenic Valley Area VIII Agency on Aging  
Statements of Functional Expenses  
For the Years Ended June 30, 2011 and 2010**

**2011**

	Area Plan Administration	Social Services	Nutrition Services	Total
<b>Salaries and Related Expenses:</b>				
Salaries	\$ 65,428	\$ 357,822	\$ 52,593	\$ 475,843
Fringe Benefits	19,560	104,190	15,722	139,472
Total Salaries and Related Expenses	<u>84,988</u>	<u>462,012</u>	<u>68,315</u>	<u>615,315</u>
<b>Operating Expenses:</b>				
Utilities	-	3,943	-	3,943
Telephone	340	5,606	723	6,669
Rent	1,777	24,874	2,961	29,612
Insurance	435	6,096	726	7,257
Postage	164	1,622	180	1,966
Dues and Publications	2,748	3,264	80	6,092
Printing	27	1,943	45	2,015
Advertising and Promotion	6	7,397	178	7,581
Supplies	231	4,237	1,397	5,865
Audit	615	8,613	1,026	10,254
Maintenance and Repair	783	13,451	5,309	19,543
Travel	3,275	9,376	939	13,590
Subcontracted Services	-	278,927	718,357	997,284
Workshops/Training	161	13,608	74	13,843
Profit Sharing	5,380	29,423	4,324	39,127
In-Kind Expense	11,940	2,153	-	14,093
Miscellaneous	583	17,915	23,644	42,142
Total Operating Expenses	<u>28,465</u>	<u>432,448</u>	<u>759,963</u>	<u>1,220,876</u>
Total Expenses before Depreciation	<u>113,453</u>	<u>894,460</u>	<u>828,278</u>	<u>1,836,191</u>
Depreciation	<u>1,008</u>	<u>14,109</u>	<u>1,680</u>	<u>16,797</u>
Total Expenses	<u>\$ 114,461</u>	<u>\$ 908,569</u>	<u>\$ 829,958</u>	<u>\$ 1,852,988</u>

**2010**

<u>Area Plan Administration</u>	<u>Social Services</u>	<u>Nutrition Services</u>	<u>Total</u>
\$ 63,533	\$ 354,135	\$ 53,551	\$ 471,219
<u>19,032</u>	<u>103,758</u>	<u>16,042</u>	<u>138,832</u>
<u>82,565</u>	<u>457,893</u>	<u>69,593</u>	<u>610,051</u>
-	763	-	763
152	4,740	287	5,179
1,289	18,047	2,148	21,484
490	7,247	816	8,553
156	2,368	260	2,784
2,748	7,433	485	10,666
-	5,621	-	5,621
2	4,927	1,035	5,964
235	5,403	7,376	13,014
593	8,294	988	9,875
251	8,410	7,115	15,776
1,816	8,920	873	11,609
-	264,485	663,481	927,966
500	9,620	2,004	12,124
4,802	26,766	4,047	35,615
4,382	28,732	-	33,114
<u>35</u>	<u>4,759</u>	<u>11,895</u>	<u>16,689</u>
<u>17,451</u>	<u>416,535</u>	<u>702,810</u>	<u>1,136,796</u>
<u>100,016</u>	<u>874,428</u>	<u>772,403</u>	<u>1,746,847</u>
<u>948</u>	<u>13,278</u>	<u>1,581</u>	<u>15,807</u>
<u>\$ 100,964</u>	<u>\$ 887,706</u>	<u>\$ 773,984</u>	<u>\$ 1,762,654</u>

See Notes to Financial Statements

**Scenic Valley Area VIII Agency on Aging  
Statements of Cash Flows  
For the Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ (32,813)	\$ 55,931
Adjustments to Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	16,797	15,807
(Increase) Decrease in Current Assets:		
Accounts Receivable	1,831	(7,052)
Subcontractor Receivable	44,424	(44,424)
Grants Receivable	(5,938)	37,907
Interest Receivable	(741)	125
Prepaid Expenses	(4,420)	89
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(22,866)	25,285
Accrued Payroll	1,856	1,986
Accrued Vacation	(4,470)	4,011
Accrued Pension	3,512	9,658
Other Accrued Expenses	(289)	541
Refundable Advances	13,183	10,137
Net Cash Provided by Operating Activities	<u>10,066</u>	<u>110,001</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of Property and Equipment	(16,834)	(4,737)
Proceeds from Maturity of Certificates of Deposit	198,430	238,216
Purchase of Certificates of Deposit	<u>(201,527)</u>	<u>(243,166)</u>
Net Cash (Used) by Investing Activities	<u>(19,931)</u>	<u>(9,687)</u>
Net Increase (Decrease) in Cash	(9,865)	100,314
Cash, Beginning of Year	<u>620,720</u>	<u>520,406</u>
Cash, End of Year	<u>\$ 610,855</u>	<u>\$ 620,720</u>

See Notes to Financial Statements

# Scenic Valley Area VIII Agency on Aging

## Notes to Financial Statements

### NOTE 1. Nature of Business and Significant Accounting Policies

Scenic Valley Area VIII Agency on Aging (the "Agency") was established in 1978, under provisions enacted by the United States Congress (The Older American's Act, Public Law 100-175), and the Iowa General Assembly (Code of Iowa, Chapter 249D). The Agency is responsible for planning, coordinating, and advocating for the development of a comprehensive service delivery system to meet the short and long-term needs of persons aged 60 and older in Delaware, Dubuque, and Jackson Counties. A significant portion of the funding received is dependent upon federal and state agencies.

The financial statements of the Agency have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

The significant accounting policies of the Agency are as follows:

#### **Reporting Entity**

The financial statements include all funds of the Agency. Accordingly, the criteria specified by the Governmental Accounting Standards Board have been applied in determining the scope of the reporting entity for financial reporting purposes. Specifically, those agencies, offices, organizations, commissions, and public authorities over which the Agency's elected officials exercise oversight responsibility are included in the financial statements. Manifestations of oversight responsibility over an entity include: 1) financial interdependency, 2) selection of governing authority, 3) designation of management, 4) ability to significantly influence operations, and 5) accountability for fiscal matters.

#### **Basis of Presentation**

The Agency accounts for its activities in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958, "Financial Statements of Not-for-Profit Organizations" (FASB ASC Topic 958). Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Agency and changes therein are classified and reported as follows:

**Unrestricted Net Assets:** Net assets that are not subject to donor-imposed stipulations.

**Temporarily Restricted Net Assets:** Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Agency and/or the passage of time. The Agency had temporarily restricted net assets of \$132,728 and \$160,349 for the years ended June 30, 2011 and 2010, respectively.

# Scenic Valley Area VIII Agency on Aging

## Notes to Financial Statements

### NOTE 1. Nature of Business and Significant Accounting Policies (Continued)

#### **Basis of Presentation (Continued)**

**Permanently Restricted Net Assets:** Net assets subject to donor-imposed stipulations that neither expire by passage of time, nor can be met by actions of the Agency. The Agency has no permanently restricted net assets for the years ended June 30, 2011 and 2010.

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

#### **Contributions**

Contributions, including unconditional promises to give, are recognized as revenue when received.

The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Agency reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

#### **Revenue**

The Agency receives substantially all of its grant revenue from Federal and State agencies. The Agency recognizes grant revenue (up to the grant ceiling) from its grants, either on a pro-rata basis over a 12-month period, which represents the service period for certain grants, or to the extent of expenses. Revenue recognition depends on the grant. Contributions are recognized as made, and interest income is recognized when earned.

# Scenic Valley Area VIII Agency on Aging

## Notes to Financial Statements

### NOTE 1. Nature of Business and Significant Accounting Policies (Continued)

#### Revenue (Continued)

Any of the grant funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Agency with the terms of the grants.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all highly liquid debt securities purchased with an original maturity of three months or less when purchased to be cash equivalents.

#### Accounts Receivable

The Agency considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

#### Property and Equipment

Property and equipment is stated at cost, if purchased, or at fair market value on the date received, if donated, less accumulated depreciation. Major expenditures for improvements (those greater than \$500) and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as paid. 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.

Proceeds from the sale of property and equipment, if unrestricted, are transferred to the operating fund balances, or, if restricted, to deferred amounts restricted for property and equipment acquisitions. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives are as follows:

Equipment	5 – 20 Years
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#### Refundable Advances

The Agency records grant revenue as a refundable advance until it is expended for the purpose of the grant, at which time, it is recognized as revenue. The balance in refundable advances at June 30, 2011 and 2010, represents amounts received under grant contracts that will be expended in the next fiscal year in accordance with the grant period.

# Scenic Valley Area VIII Agency on Aging

## Notes to Financial Statements

### NOTE 1. Nature of Business and Significant Accounting Policies (Continued)

#### Income Taxes

The Agency is a non-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and classified by the Internal Revenue Service as other than a private foundation. The Agency is also exempt from state income tax.

On July 1, 2009, the Agency adopted the accounting standards on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Agency may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Agency, and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. There were no unrecognized tax benefits identified or recorded as liabilities at June 30, 2011 and 2010.

The Agency's policy is to include interest and penalties relating to uncertain tax positions in interest expense and operating expense, respectively.

Form 990 filed by the Agency is subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Forms 990 filed by the Agency are no longer subject to examination by the Internal Revenue Service for years before 2007.

#### Use of 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 the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

#### Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was \$7,581 and \$5,964 for the years ended June 30, 2011 and 2010, respectively.

# Scenic Valley Area VIII Agency on Aging

## Notes to Financial Statements

### NOTE 2. Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access.
Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none"><li>• Quoted prices for similar assets or liabilities in active markets;</li><li>• Quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>• Inputs other than quoted prices that are observable for the asset or liability;</li><li>• Inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li></ul> If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011 and 2010.

*Certificates of Deposits:* Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of

# Scenic Valley Area VIII Agency on Aging

## Notes to Financial Statements

### NOTE 2. Fair Value Measurements (Continued)

different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables on the following page set forth by level, within the fair value hierarchy, the Agency's' investment assets at fair value as of June 30, 2011 and 2010:

2011				
Investments at Estimated Fair Value				
	Investments at Fair Value as Determined by Quoted Prices in Active Markets (Level I)	Valuation Techniques Based on Observable Market Data (Level II)	Valuation Techniques Incorporating Information Other Than Observable Market Data (Level III)	Total
Certificate of Deposit	\$ -	\$ 246,263	\$ -	\$ 246,263

2010				
Investments at Estimated Fair Value				
	Investments at Fair Value as Determined by Quoted Prices in Active Markets (Level I)	Valuation Techniques Based on Observable Market Data (Level II)	Valuation Techniques Incorporating Information Other Than Observable Market Data (Level III)	Total
Certificate of Deposit	\$ -	\$ 243,166	\$ -	\$ 243,166

# Scenic Valley Area VIII Agency on Aging

## Notes to Financial Statements

### NOTE 3. Grants Receivable

Grants receivable at June 30, 2011 and 2010, consist of the following:

<b>Iowa Department of Elder Affairs:</b>	<u>2011</u>	<u>2010</u>
ARRA Grant	\$ -	\$ 17,223
Title III C	11,180	646
Title III D	31	914
Title III E	14,023	-
DHS	-	513
	<u>\$ 25,234</u>	<u>\$ 19,296</u>

### NOTE 4. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2011 and 2010, are available for the following programs:

	<u>2011</u>	<u>2010</u>
Nutrition Program	<u>\$ 132,728</u>	<u>\$ 160,349</u>

### NOTE 5. Lease Commitments

The Agency leases its administrative offices under a non cancelable operating lease ending on October 31, 2015. The lease requires a base rental of \$3,135 plus additional amounts for utilities to be paid at the beginning of the month. On the first day of November every November thereafter, the rent increases by 2% of the prior year's base rental.

# Scenic Valley Area VIII Agency on Aging

## Notes to Financial Statements

### NOTE 5. Lease Commitments (Continued)

Future minimum lease payments required over the remainder of the lease are as follows:

<u>Years Ending June 30</u>	
2012	\$ 38,122
2013	38,884
2014	39,662
2015	40,455
2016	13,574
	<u>\$ 170,697</u>

Total rent expense for the years ended June 30, 2011 and 2010, was \$29,612 and \$21,484, respectively.

### NOTE 6. Revenue Sharing Plan

On July 1, 1993, the Agency established a Revenue Sharing Plan for all employees with one year of service who have attained the age of 21 and have at least 1,000 hours of service during the year. Contributions may be made annually at the discretion of the Board of Directors. Participants are 100% vested in the plan after their first qualifying year. Contributions accrued by the Agency for the years ended June 30, 2011 and 2010, were \$39,127 and \$35,615, respectively.

### NOTE 7. Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Agency's programs, principally in the nutrition program. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

# Scenic Valley Area VIII Agency on Aging

## Notes to Financial Statements

### **NOTE 8. Concentration of Risk**

During 2011 and 2010, the Agency received 35% and 40%, respectively, of its revenues from Federal grants, and 19% and 13%, respectively, of its revenues from State of Iowa grants. The continued operation of the Agency is dependent upon remaining qualified to receive reimbursements from these sources.

### **NOTE 9. Date of Management's Review**

Subsequent events were evaluated through the date the financial statements were available to be issued which was October 19, 2011.

# **Supplementary Information**

**Scenic Valley Area VIII Agency on Aging  
Iowa Department of Elder Affairs Cost Sharing Report/  
Audit Reconciliation Schedule  
For the Year Ended June 30, 2011**

<b>FUND/SERVICE CATEGORY</b>	<b>Area Plan Budget</b>	<b>Total Receipts</b>	<b>Total Expenditures</b>	<b>Ending Balance</b>
<b>Iowa Dept. of Elder Affairs:</b>				
AAA Administration	\$ -	\$ -	\$ -	\$ -
Elderly Services	16,024	16,024	16,024	-
HCBS Unmet Needs	12,998	4,903	4,903	-
Case Management	81,755	82,052	82,052	-
Senior Living Program Base	223,286	219,160	219,160	-
Senior Living Program Supplemental	21,425	21,425	21,425	-
Senior Living Program Case Mgt	-	-	-	-
<b>Older American Act:</b>				
Title IIIB Supportive Services	182,734	128,604	128,604	-
Title IIIC(1) Congregate Meals	225,980	221,826	221,826	-
Title IIIC(2) HD Meals	99,448	99,323	99,323	-
Title IIIE Caregiver Support	77,061	86,200	86,200	-
Title IIID Preventive Health	11,164	12,315	12,315	-
Title IIID Preventive Health MM	4,301	3,345	3,345	-
<b>USDA Cash</b>	73,951	79,518	79,518	-
<b>Other Funds:</b>				
Local Public Funds	12,650	15,755	8,650	7,105
Medical Assistance Waiver	-	-	-	-
Other Local Cash	141,189	534,893	31,558	503,335
Senior Living Program Contributions	-	-	-	-
<b>Program Income:</b>				
Title IIIB Supportive Services	17,464	8,630	5,457	3,173
Title IIIC(1)	190,213	298,855	195,967	102,888
Title IIIC(2) HD Meals	168,587	162,994	162,994	-
Title IIIE Caregiver Support	25	45	45	-
Total Cash	<u>1,560,255</u>	<u>1,995,867</u>	<u>1,379,366</u>	<u>616,501</u>
Non-Cash: In-Kind Matching	<u>180,688</u>	<u>275,908</u>	<u>275,905</u>	<u>3</u>
Total Per Cost Sharing Report	<u>\$ 1,740,943</u>	<u>\$ 2,271,775</u>	<u>\$ 1,655,271</u>	<u>\$ 616,504</u>
<b>Reconciling Items:</b>				
Non-Cash Not on Books		(263,550)	(263,550)	
SMP		6,739	6,739	
ARRA Stimulus Money		6,642	6,642	
IME		59,031	59,031	
Deferred Revenue from Prior Year		(673,340)	-	
Medical Assistance Waiver		388,892	388,892	
Title IIID Preventive Health MM		1,207		
Title IIIE Caregiver Support		3,886	-	
Title IIID Preventive Health		1,398	-	
Title IIIB Supportive Services		17,497		
Depreciation Expense		-	16,797	
Purchase of Property		-	(16,835)	
Rounding		(2)	1	
Total Per Audit Report		<u>\$ 1,820,175</u>	<u>\$ 1,852,988</u>	<u>\$ (32,813)</u>

**Scenic Valley Area VIII Agency on Aging  
Iowa Department of Elder Affairs Cost Sharing Report/  
Audit Reconciliation Schedule (Continued)  
For the Year Ended June 30, 2011**

<b>FUND/SERVICE CATEGORY</b>	<b>Total</b>	<b>AAA Administration</b>	<b>Chore 3</b>	<b>Delivered Meals</b>
<b>Iowa Dept. of Elder Affairs:</b>				
AAA Administration	\$ -	\$ -	\$ -	\$ -
Elderly Services	16,024	-	-	-
HCBS Unmet Needs	4,903	-	-	2,332
Case Management	82,052	-	-	-
Senior Living Program	219,160	15,630	567	-
Senior Living Program Supplement	21,425	-	-	-
Senior Living Program Case Management	-	-	-	-
<b>Older American Act:</b>				
Title IIIB Supportive Services	128,604	55,814	-	-
Title IIIC(1) Congregate Meals	221,826	-	-	-
Title IIIC(2) HD Meals	99,323	-	-	98,870
Title IIIE Caregiver Support	86,200	8,271	-	-
Title IIID Preventive Health	12,315	-	-	-
Title IIID Preventive Health MM	3,345	-	-	-
<b>USDA Cash</b>	79,518	-	-	31,807
<b>Title XIX Assessments</b>	-	-	-	-
<b>Other Funds:</b>				
Local Public Funds	8,650	-	-	-
Medical Assistance Waiver	-	-	-	-
Other Local Cash	31,558	22,543	-	2,636
Senior Living Program Contributions	-	-	-	-
<b>Program Income:</b>				
Title IIIB Supportive Services	5,457	-	-	-
Title IIIC(1) Congregate Meals	195,967	-	-	-
Title IIIC(2) HD Meals	162,994	-	-	162,994
Title IIIE Caregiver Support	45	-	-	-
<b>Total Cash</b>	<b>1,379,366</b>	<b>102,258</b>	<b>567</b>	<b>298,639</b>
<b>Non-Cash: In-Kind Matching</b>	<b>275,905</b>	<b>11,940</b>	<b>-</b>	<b>130,054</b>
<b>Total Per Cost Sharing Report</b>	<b>\$ 1,655,271</b>	<b>\$ 114,198</b>	<b>\$ 567</b>	<b>\$ 428,693</b>

Adult Daycare 5	Case Management 6	Congregate Meals 7	Nutrition Counseling 8	Transportation 10
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	50
-	-	-	-	-
-	82,052	-	-	-
82,119	2,606	-	-	4,550
-	-	-	-	-
-	-	-	-	-
3,756	4,891	-	-	5,252
-	-	220,863	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	47,711	-	-
-	-	-	-	-
-	-	-	-	8,650
-	-	-	-	-
-	2,345	350	-	-
-	-	-	-	-
-	-	-	-	5,387
-	-	180,614	80	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
85,875	91,894	449,538	80	23,889
3,092	-	91,631	-	14,817
<u>\$ 88,967</u>	<u>\$ 91,894</u>	<u>\$ 541,169</u>	<u>\$ 80</u>	<u>\$ 38,706</u>

**Scenic Valley Area VIII Agency on Aging  
Iowa Department of Elder Affairs Cost Sharing Report/  
Audit Reconciliation Schedule (Continued)  
For the Year Ended June 30, 2011**

<b>FUND/SERVICE CATEGORY</b>	Legal Assistance 11S	Nutrition Education 12	Information Assistance 13	Outreach 14S
<b>Iowa Dept. of Elder Affairs:</b>				
AAA Administration	\$ -	\$ -	\$ -	\$ -
Elderly Services	-	-	15,974	-
HCBS Unmet Needs	-	-	-	-
Case Management	-	-	-	-
Senior Living Program	-	-	-	-
Senior Living Program Supplement	-	-	2,374	19,051
Senior Living Program Case Management	-	-	-	-
<b>Older American Act:</b>				
Title IIIB Supportive Services	12,489	-	-	28,991
Title IIIC(1) Congregate Meals	-	963	-	-
Title IIIC(2) HD Meals	-	453	-	-
Title IIIE Caregiver Support	-	-	40,209	-
Title IIID Preventive Health	-	-	-	-
Title IIID Preventive Health MM	-	-	-	-
<b>USDA Cash</b>	-	-	-	-
<b>Title XIX Assessments</b>	-	-	-	-
<b>Other Funds:</b>				
Local Public Funds	-	-	-	-
Medical Assistance Waiver	-	-	-	-
Other Local Cash	-	-	1,909	210
Senior Living Program Contributions	-	-	-	-
<b>Program Income:</b>				
Title IIIB Supportive Services	-	-	-	-
Title IIIC(1) Congregate Meals	-	15,273	-	-
Title IIIC(2) HD Meals	-	-	-	-
Title IIIE Caregiver Support	-	-	-	-
Total Cash	12,489	16,689	60,466	48,252
Non-Cash: In-Kind Matching	2,205	-	-	-
Total Per Cost Sharing Report	<u>\$ 14,694</u>	<u>\$ 16,689</u>	<u>\$ 60,466</u>	<u>\$ 48,252</u>

Caregiver Support A2	Respite B3	Medical Alert B4	Medical Management B6	Advocacy C1
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	28,518	41,528	-	-
-	-	-	-	-
-	-	-	-	-
-	7,075	-	-	871
-	-	-	-	-
-	-	-	-	-
5,272	17,750	-	-	-
-	-	-	-	-
-	-	-	3,345	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
35	-	-	35	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
45	-	-	-	-
5,352	53,343	41,528	3,380	871
-	18,777	2,975	-	-
<u>\$ 5,352</u>	<u>\$ 72,120</u>	<u>\$ 44,503</u>	<u>\$ 3,380</u>	<u>\$ 871</u>

**Scenic Valley Area VIII Agency on Aging  
Iowa Department of Elder Affairs Cost Sharing Report/  
Audit Reconciliation Schedule (Continued)  
For the Year Ended June 30, 2011**

<b>FUND/SERVICE CATEGORY</b>	Training & Education D1	Material Aid F2	Public Information F3
<b>Iowa Dept. of Elder Affairs:</b>			
AAA Administration	\$ -	\$ -	\$ -
Elderly Services	-	-	-
HCBS Unmet Needs	-	2,571	-
Case Management	-	-	-
Senior Living Program	-	43,642	-
Senior Living Program Supplement	-	-	-
Senior Living Program Case Management	-	-	-
<b>Older American Act:</b>			
Title IIIB Supportive Services	1,603	7,862	-
Title IIIC(1) Congregate Meals	-	-	-
Title IIIC(2) HD Meals	-	-	-
Title IIIE Caregiver Support	-	-	14,698
Title IIID Preventive Health	12,315	-	-
Title IIID Preventive Health MM	-	-	-
<b>USDA Cash</b>			
<b>Title XIX Assessments</b>	-	-	-
<b>Other Funds:</b>			
Local Public Funds	-	-	-
Medical Assistance Waiver	-	-	-
Other Local Cash	835	-	660
Senior Living Program Contributions	-	-	-
<b>Program Income:</b>			
Title IIIB Supportive Services	-	70	-
Title IIIC(1) Congregate Meals	-	-	-
Title IIIC(2) HD Meals	-	-	-
Title IIIE Caregiver Support	-	-	-
Total Cash	14,753	54,145	15,358
Non-Cash: In-Kind Matching	-	-	414
Total Per Cost Sharing Report	<u>\$ 14,753</u>	<u>\$ 54,145</u>	<u>\$ 15,772</u>

See Accompanying Independent Auditor's Report

**Scenic Valley Area VIII Agency on Aging  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Program Expenditures</u>
Passed Through State of Iowa Department of Elder Affairs:		
<b>U.S. Department of Health and Human Services:</b>		
Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	\$ 128,605
Title III, Part C - Nutrition Services - Congregate Meals and Home Delivered Meals	93.045	321,149
Title III, Part D - Preventive Health	93.043	15,660
Title III, Part E - Caregiver Support	93.052	86,200
ARRA Congregate Meals	93.707	6,642
Operation Restore Trust (Passed through from Hawkeye Valley Agency on Aging)	93.779	<u>5,000</u>
Total Department of Health and Human Services		<u>563,256</u>
<b>U.S. Department of Agriculture Nutrition Services Incentive Program (Cash and Commodities)</b>	93.053	<u>79,518</u>
Total Federal Awards		<u><u>\$ 642,774</u></u>

# Scenic Valley Area VIII Agency on Aging

## Notes to Schedule of Expenditures of Federal Awards

### **NOTE 1. General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of Scenic Valley Area VIII Agency on Aging. Scenic Valley Area VIII Agency on Aging is defined in Note 1 of the Agency's financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule.

### **NOTE 2. Basis of Accounting**

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and in accordance with the same method of accounting used in the preparation of the financial statements.

### **NOTE 3. Risk-Based Audit Approach**

The dollar threshold used to distinguish between Type A and Type B programs is \$300,000. The Agency does qualify as a low-risk auditee.



## **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  
Scenic Valley Area VIII Agency on Aging  
Dubuque, Iowa

We have audited the financial statements of Scenic Valley Area VIII Agency on Aging (a non-profit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 19, 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.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered Scenic Valley Area VIII Agency on Aging's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Scenic Valley Area VIII Agency on Aging's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting 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 financial reporting that we consider to be material weaknesses, as defined above.

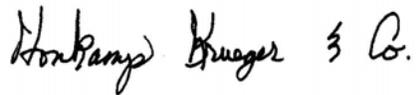
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Scenic Valley Area VIII Agency on Aging's financial statements are free of 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.

We noted certain other matters that we reported to management of Scenic Valley Area VIII Agency on Aging in a separate letter dated October 19, 2011.

This report is intended solely for the information and use of management, the Board of Directors, and others within the Agency 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.

**HONKAMP KRUEGER & CO., P.C.**

A handwritten signature in cursive script that reads "Honkamp Krueger & Co.".

Dubuque, Iowa  
October 19, 2011



**Independent Auditor's 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  
Scenic Valley Area VIII Agency on Aging  
Dubuque, Iowa

**Compliance**

We have audited the compliance of Scenic Valley Area VIII Agency on Aging (a non-profit 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 its major federal programs for the year ended June 30, 2011. Scenic Valley Area VIII Agency on Aging's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of Scenic Valley Area VIII Agency on Aging's management. Our responsibility is to express an opinion on Scenic Valley Area VIII Agency on Aging'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 Scenic Valley Area VIII Agency on Aging'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 on Scenic Valley Area VIII Agency on Aging's compliance with those requirements.

In our opinion, Scenic Valley Area VIII Agency on Aging complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2011.

### **Internal Control over Compliance**

The management of Scenic Valley Area VIII Agency on Aging is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Scenic Valley Area VIII Agency on Aging's internal control over compliance with 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 Scenic Valley Area VIII Agency on Aging'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 Agency'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 Agency'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 Agency's internal control.

Our consideration of the 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.

Scenic Valley Area VIII Agency on Aging's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Scenic Valley Area VIII Agency on Aging's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, and others within the Agency, 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.

**HONKAMP KRUEGER & CO., P.C.**

Handwritten signature in cursive script that reads "Honkamp Krueger & Co." followed by a stylized flourish.

Dubuque, Iowa  
October 19, 2011

**Scenic Valley Area VIII Agency on Aging  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

**Part I. Summary of the Independent Auditors' Results:**

- a. An unqualified opinion was issued on the financial statements.
- b. No significant deficiencies or material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any noncompliance which is material to the financial statements.
- d. No significant deficiencies or material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- e. An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- f. The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget (OMB) Circular A-133, Section .510(a).
- g. Major program was as follows:
  - CFDA Number 93.044 – Special Programs for the Aging (Title III, Part B) Grants for Supportive Services and Senior Centers
  - CFDA Number 93.045 – Special Programs for the Aging (Title III, Part C) Nutrition Services
  - CFDA Number 93.053 – Nutrition Services Incentive Program
  - CFDA Number 93.045 – ARRA – Aging Congregate Nutrition Services for States
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. Scenic Valley Area VIII Agency on Aging does qualify as a low-risk auditee.

**Part II. Findings Related to the Financial Statements:**

There were no findings related to the financial statements.

**Part III. Findings and Questioned Costs for Federal Awards:**

There were no findings and questioned costs for federal awards.

**Scenic Valley Area VIII Agency on Aging  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2011**

There were no prior audit findings.



To the Board of Directors  
Scenic Valley Area VIII Agency on Aging  
Dubuque, Iowa

In planning and performing our audit of the financial statements of Scenic Valley Area VIII Agency on Aging as of and for the year ended June 30, 2011, 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* and OMB Circular A-133, issued by the Comptroller General of the United States. We considered Scenic Valley Area VIII Agency on Aging's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Scenic Valley Area VIII Agency on Aging's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph 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 that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of the Board of Directors and management of Scenic Valley Area VIII Agency on Aging and is not intended to be and should not be used by anyone other than these specified parties.

**HONKAMP KRUEGER & CO., P.C.**

Dubuque, Iowa  
October 19, 2011



To the Board of Directors  
Scenic Valley Area VIII Agency on Aging  
Dubuque, Iowa

We have audited the financial statements of Scenic Valley Area VIII Agency on Aging as of and for the year ended June 30, 2011, and have issued our report thereon dated October 19, 2011. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility under Generally Accepted Auditing Standards**

As communicated in our engagement letter dated June 14, 2011, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* and OMB Circular A-133. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Scenic Valley Area VIII Agency on Aging solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding significant control deficiencies and other matters noted during our audit in a separate letter to you dated October 19, 2011.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Scenic Valley Area VIII Agency on Aging is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2011. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimate affecting the financial statements was:

Management's estimate of accrued expenses. We evaluated the key factors and assumptions used to develop the accruals in determining that they are reasonable in relation to the financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Scenic Valley Area VIII Agency on Aging's financial statements relate to:

The disclosure of significant concentrations in Note 8 to the financial statements. The Agency is dependent on federal and state funding.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Scenic Valley Area VIII Agency on Aging's financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated October 19, 2011.

## **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **Other Significant Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Scenic Valley Area VIII Agency on Aging and is not intended to be and should not be used by anyone other than these specified parties.

## **HONKAMP KRUEGER & CO., P.C.**

A handwritten signature in cursive script that reads "Honkamp Krueger & Co.".

Dubuque, Iowa  
October 19, 2011



Fountain Park, Springs Bldg.  
2728 Asbury Rd., Dubuque, IA 52001

Linda McDonald, Director

Phone 563/588-3970  
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Website [www.scenicvalley.org](http://www.scenicvalley.org)

October 19, 2011

Honkamp Krueger & Co., P.C.  
2345 J.F.K. Rd.  
P.O. Box 699  
Dubuque, IA 52004-0699

We are providing this letter in connection with your audit of the statements of financial position of Scenic Valley Area VIII Agency on Aging as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets, and cash flows of Scenic Valley Area VIII Agency on Aging in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 19, 2011 the following representations made to you during your audit:

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all assets and liabilities under the Agency's control.
2. We have made available to you all:
  - a. Financial records and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Minutes of meetings of the Board of Directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.

## Attachment 1

5. There are no uncorrected financial statement misstatements that are material, either individually or in the aggregate, to the financial statements taken as a whole.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the Agency involving:
  - a. Management.
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Agency received in communications from employees, former employees, grantors, regulators, or others.
9. The Agency has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.
10. The following, if any, have been properly recorded or disclosed in the financial statements:
  - a. Related party transactions including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - b. Guarantees, whether written or oral, under which the Agency is contingently liable.
  - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
11. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Agency vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.

We understand that *concentrations* include individual or group concentrations of contributors, grantors, clients, customers, suppliers, lenders, products, services, fund-raising events, sources of labor or materials, licenses or other rights, or operating areas or markets. We further understand that *severe impact* means a significantly financially disruptive effect on the normal functioning of the Agency.

We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
12. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts.

13. Scenic Valley Area VIII Agency on Aging is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Agency's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
14. There are no:
  - a. Violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with Statement of Financial Standards No. 5, and we have not consulted a lawyer concerning litigation, claims, or assessments.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.
  - d. Designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.
15. The Agency has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged.
16. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.
17. With respect to federal award programs:
  - a. We are responsible for complying and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
  - b. We have, in accordance with OMB Circular A-133, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
  - c. We are responsible for complying with the requirements of laws, regulations, and the provision of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
  - d. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on

our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to reportable conditions reported in the schedule of findings and questioned costs.

- e. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to each major federal program.
- f. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- g. We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.
- h. Amounts claimed or used for matching were determined in accordance with relevant guidelines in *OMB Circular A-122, Cost Principles for Nonprofit Organizations*, and Subpart C, *Cost Sharing and Matching*, of *OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and other Nonprofit Organizations*.
- i. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- j. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- k. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared, and are prepared on a basis consistent with the schedule of expenditures of federal awards.
- l. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- m. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of *OMB Circular A-133*.
- n. We have taken appropriate action on a timely basis after receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements to ensure that subrecipients have taken the appropriate and timely corrective action on findings.
- o. We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- p. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included in *OMB Circular A-133*, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

Attachment 1

- q. We are responsible for and have adequately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133, and we are responsible for preparing and implementing a corrective action plan for each audit finding.
- r. We have disclosed to you all contracts or other agreements with our service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

**Scenic Valley Area VIII Agency on Aging**

 10-20-2011  
Signature Title



**HONKAMP KRUEGER & CO, P.C.**

*CPAs & Business Consultants*

**Scenic Valley Area VIII Agency on Aging  
Corrective Action Plan for Federal Audit Findings  
For the Year Ended June 30, 2011**

No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements.