

**Scenic Valley Area VIII
Agency on Aging**

Financial Statements

June 30, 2013 and 2012

Table of Contents

Page(s)

Independent Auditor's Report	1 — 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 –15
Supplementary Information	
Iowa Department of Elder Affairs Cost Sharing Report/Audit Reconciliation Schedule	16 – 19
Schedule of Expenditures of Federal Awards	20
Notes to Schedule of Expenditures of Federal Awards	21
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 <u>Government Auditing Standards</u>	22 –23
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	24 – 25
Schedule of Findings and Questioned Costs	26
Summary Schedule of Prior Audit Findings	27



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Scenic Valley Area VIII Agency on Aging (a non-profit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years 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 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 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 Scenic Valley Area VIII Agency on Aging as of June 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the financial statements, on July 1, 2013 the Agency has merged with Northeast Iowa Area of Agency on Aging, Inc (NEI3A). Our opinion is not modified with respect to this matter.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information included on pages 16-19 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued a report dated November 4, 2013, 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.

HONKAMP KRUEGER & CO., P.C.



Dubuque, Iowa
November 4, 2013

**Scenic Valley Area VIII Agency on Aging
Statements of Financial Position
June 30, 2013 and 2012**

ASSETS	2013	2012
Current Assets		
Cash in Bank	\$ 633,996	\$ 411,045
Certificates of Deposit	-	144,448
Money Market	106,594	105,953
Accounts Receivable	69,436	44,407
Other Receivable	3,135	-
Grants Receivable	35,343	170,088
Interest Receivable	-	315
Prepaid Expenses	-	21,979
Total Current Assets	848,504	898,235
Property and Equipment, at Cost		
Equipment	246,045	287,768
Less: Accumulated Depreciation	157,629	197,936
Property and Equipment, Net	88,416	89,832
Total Assets	\$ 936,920	\$ 988,067
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 46,005	\$ 56,315
Accrued Payroll	-	10,167
Accrued Vacation	13,459	14,260
Accrued Pension	38,790	35,672
Other Accrued Expenses	3,120	2,966
Refundable Advances	126,259	28,128
Total Current Liabilities	227,633	147,508
Net Assets		
Unrestricted	682,150	684,350
Temporarily Restricted	27,137	156,209
Total Net Assets	709,287	840,559
Total Liabilities and Net Assets	\$ 936,920	\$ 988,067

See Notes to Financial Statements

Scenic Valley Area VIII Agency on Aging
Statements of Activities
For the Years Ended June 30, 2013 and 2012

	2013		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	
	<u>Operations</u>	<u>Operations</u>	<u>Total</u>
SUPPORT AND REVENUE			
Federal Grants	\$ -	\$ 637,685	\$ 637,685
State of Iowa Grants	-	329,299	329,299
Dubuque Racing Association Grant	-	-	-
Waiver Home Delivered Meals	-	65,107	65,107
County Supervisor	-	11,354	11,354
Contributions	-	319,874	319,874
Donations	3,440	-	3,440
Interest Income	6,932	-	6,932
Other Revenue	467,275	3,945	471,220
In Kind	-	4,647	4,647
Total Support and Revenue	<u>477,647</u>	<u>1,371,911</u>	<u>1,849,558</u>
Net Assets Released from Restrictions:			
Net Assets Released from Restrictions Due to Satisfaction of Program Restrictions	<u>1,500,983</u>	<u>(1,500,983)</u>	<u>-</u>
Total Revenue	<u>1,978,630</u>	<u>(129,072)</u>	<u>1,849,558</u>
EXPENSES			
Program:			
Area Plan Administration	109,049	-	109,049
Social Services	1,027,883	-	1,027,883
Nutrition Services	843,898	-	843,898
Total Expenses	<u>1,980,830</u>	<u>-</u>	<u>1,980,830</u>
Change in Net Assets	(2,200)	(129,072)	(131,272)
Net Assets, Beginning of Year	<u>684,350</u>	<u>156,209</u>	<u>840,559</u>
Net Assets, End of Year	<u>\$ 682,150</u>	<u>\$ 27,137</u>	<u>\$ 709,287</u>

2012

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	
<u>Operations</u>	<u>Operations</u>	<u>Total</u>
\$ -	\$ 855,360	\$ 855,360
-	329,299	329,299
-	4,707	4,707
-	62,023	62,023
-	8,650	8,650
-	299,904	299,904
3,892	-	3,892
8,210	-	8,210
381,036	6,452	387,488
-	11,092	11,092
<u>393,138</u>	<u>1,577,487</u>	<u>1,970,625</u>
<u>1,554,006</u>	<u>(1,554,006)</u>	<u>-</u>
<u>1,947,144</u>	<u>23,481</u>	<u>1,970,625</u>
107,910	-	107,910
945,653	-	945,653
876,186	-	876,186
<u>1,929,749</u>	<u>-</u>	<u>1,929,749</u>
17,395	23,481	40,876
666,955	132,728	799,683
<u>\$ 684,350</u>	<u>\$ 156,209</u>	<u>\$ 840,559</u>

See Notes to Financial Statements

**Scenic Valley Area VIII Agency on Aging
Statements of Functional Expenses
For the Years Ended June 30, 2013 and 2012**

2013

	Area Plan Administration	Social Services	Nutrition Services	Total
Salaries and Related Expenses:				
Salaries	\$ 66,457	\$ 433,294	\$ 26,406	\$ 526,157
Fringe Benefits	22,982	146,902	8,962	178,846
Total Salaries and Related Expenses	<u>89,439</u>	<u>580,196</u>	<u>35,368</u>	<u>705,003</u>
Operating Expenses:				
Utilities	343	5,584	571	6,498
Telephone	236	8,363	481	9,080
Rent	2,333	32,663	3,888	38,884
Insurance	477	6,671	794	7,942
Postage	116	1,923	194	2,233
Dues and Publications	2,763	5,957	104	8,824
Printing	13	1,090	22	1,125
Advertising and Promotion	20	7,575	33	7,628
Supplies	500	6,597	550	7,647
Audit	642	8,988	1,070	10,700
Maintenance and Repair	359	8,292	979	9,630
Travel	1,976	11,381	694	14,051
Subcontracted Services	-	275,987	767,175	1,043,162
Workshops/Training	558	15,813	2,097	18,468
Profit Sharing	4,899	31,944	1,947	38,790
In-Kind Expense	3,220	1,427	-	4,647
Miscellaneous	91	2,534	26,157	28,782
Total Operating Expenses	<u>18,546</u>	<u>432,789</u>	<u>806,756</u>	<u>1,258,091</u>
Total Expenses before Depreciation	<u>107,985</u>	<u>1,012,985</u>	<u>842,124</u>	<u>1,963,094</u>
Depreciation	1,064	14,898	1,774	17,736
Loss on Disposals	-	-	-	-
Total Expenses	<u>\$ 109,049</u>	<u>\$1,027,883</u>	<u>\$ 843,898</u>	<u>\$ 1,980,830</u>

2012

Area Plan Administration	Social Services	Nutrition Services	Total
\$ 66,707	\$ 380,303	\$ 57,761	\$ 504,771
20,540	113,857	17,785	152,182
<u>87,247</u>	<u>494,160</u>	<u>75,546</u>	<u>656,953</u>
300	4,980	501	5,781
197	6,945	472	7,614
2,287	32,022	3,812	38,121
449	6,280	748	7,477
156	2,433	260	2,849
2,748	3,387	80	6,215
-	541	-	541
9	12,313	209	12,531
203	5,173	1,255	6,631
632	8,854	1,054	10,540
391	6,495	2,304	9,190
3,713	9,645	499	13,857
-	274,518	744,969	1,019,487
268	21,881	3,035	25,184
4,715	26,875	4,082	35,672
3,482	7,929	-	11,411
24	5,972	35,545	41,541
<u>19,574</u>	<u>436,243</u>	<u>798,825</u>	<u>1,254,642</u>
<u>106,821</u>	<u>930,403</u>	<u>874,371</u>	<u>1,911,595</u>
1,041	14,575	1,735	17,351
48	675	80	803
<u>\$ 107,910</u>	<u>\$ 945,653</u>	<u>\$ 876,186</u>	<u>\$ 1,929,749</u>

See Notes to Financial Statements

**Scenic Valley Area VIII Agency on Aging
Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (131,272)	\$ 40,876
Adjustments to Change in Net Assets to Cash		
Provided (Used) by Operating Activities:		
Loss on Disposal of Fixed Assets	-	803
Depreciation	17,736	17,351
(Increase) Decrease in Current Assets:		
Accounts Receivable	(25,029)	1,625
Other Receivable	(3,135)	-
Grants Receivable	134,745	(144,854)
Interest Receivable	315	805
Prepaid Expenses	21,979	(1,526)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(10,310)	(39,131)
Accrued Payroll	(10,167)	2,828
Accrued Vacation	(801)	(1,463)
Accrued Pension	3,118	(3,455)
Other Accrued Expenses	154	(210)
Refundable Advances	<u>98,131</u>	<u>(35,057)</u>
Net Cash Provided (Used) by Operating Activities	<u>95,464</u>	<u>(161,408)</u>
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(16,320)	(34,264)
Proceeds from Maturity of Certificates of Deposit	144,448	141,146
Purchase of Certificates of Deposit	-	(144,449)
Interest Income Reinvested in Money Market	<u>(641)</u>	<u>(835)</u>
Net Cash Provided (Used) by Investing Activities	<u>127,487</u>	<u>(38,402)</u>
Net Increase (Decrease) in Cash	222,951	(199,810)
Cash, Beginning of Year	<u>411,045</u>	<u>610,855</u>
Cash, End of Year	<u>\$ 633,996</u>	<u>\$ 411,045</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 \$27,137 and \$156,209 for the years ended June 30, 2013 and 2012, 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, 2013 and 2012.

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, 2013 and 2012, 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.

Management has determined that the Agency does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. The Agency's policy is to include interest and penalties relating to uncertain tax positions in interest expense and operating expense, respectively. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Agency's Form 990 will not be challenged by the taxing authorities and that the Agency will not be subject to additional tax, penalties, and interest as a result of such challenge. There were no unrecognized tax benefits identified or recorded as liabilities at June 30, 2013 and 2012.

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. Generally, the Agency is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2009.

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 \$7,628 and \$12,531 for the years ended June 30, 2013 and 2012, respectively.

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

Scenic Valley Area VIII Agency on Aging

Notes to Financial Statements

NOTE 2. Fair Value Measurements (Continued)

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">• Quoted prices for similar assets or liabilities in active markets;• Quoted prices for identical or similar assets or liabilities in inactive markets;• Inputs other than quoted prices that are observable for the asset or liability;• Inputs that are derived principally from or corroborated by observable market data by correlation or other means. 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, 2013 and 2012.

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 creditworthiness of the issuer.

Money Market: Valued at fair value based on closing price reported by the fund sponsor from an actively traded exchange.

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

Scenic Valley Area VIII Agency on Aging

Notes to Financial Statements

NOTE 2. Fair Value Measurements (Continued)

use of 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 table sets forth by level, within the fair value hierarchy, the Agency's investment assets at fair value as of June 30, 2013:

	Investments at Estimated Fair Value			Total
	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)	
Money Market	\$ 106,594	\$ -	\$ -	\$ 106,594

The following table sets forth by level, within the fair value hierarchy, the Agency's investment assets at fair value as of June 30, 2012:

	Investments at Estimated Fair Value			Total
	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)	
Certificate of Deposit	\$ -	\$ 144,448	\$ -	\$ 144,448
Money Market	105,953	-	-	105,953
Total	\$ 105,953	\$ 144,448	\$ -	\$ 250,401

Scenic Valley Area VIII Agency on Aging

Notes to Financial Statements

NOTE 3. Grants Receivable

Grants receivable at June 30, 2013 and 2012, consist of the following:

Iowa Department of Elder Affairs:	2013	2012
Title III C	\$ 10,613	\$ 158,392
Title III D	6,007	1,291
Title III E	18,723	10,405
	<u>\$ 35,343</u>	<u>\$ 170,088</u>

NOTE 4. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2013 and 2012, are available for the following programs:

	2013	2012
Nutrition Program	<u>\$ 27,137</u>	<u>\$ 156,209</u>

NOTE 5. Lease Commitments and Subsequent Event

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.

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

<u>Years Ending June 30</u>	
2014	\$ 39,662
2015	40,455
2016	13,574
	<u>\$ 93,691</u>

Effective July 1, 2013, the Northeast Iowa Area Agency on Aging (NEI3A) took over this lease as part of the merger. See Note 9 for more details.

Scenic Valley Area VIII Agency on Aging

Notes to Financial Statements

NOTE 5. Lease Commitments and Subsequent Event (Continued)

Total rent expense for the years ended June 30, 2013 and 2012, was \$38,884 and \$38,121, 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, 2013 and 2012, were \$38,790 and \$35,672, 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.

NOTE 8. Concentration of Risk

During 2013 and 2012, the Agency received 35% and 43%, respectively, of its revenues from Federal grants, and 18% and 17%, 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.

Unlimited FDIC liability insurance coverage on non-interest bearing bank accounts expired as of December 31, 2012. Therefore, any bank accounts exceeding the FDIC insured amount of \$250,000 are subject to a risk of potential loss on the uninsured balances. The Agency's account balances periodically exceeded this threshold. Management believes that the risk of potential loss on the uninsured balances is minimal.

Scenic Valley Area VIII Agency on Aging

Notes to Financial Statements

NOTE 9. Merged Agencies and Subsequent Event

The State of Iowa, in section 20 of House File 45, mandated that the Department of Aging develop a plan for reducing the number of Area Agencies on Aging in the state with the goal of having this accomplished by July, 1, 2013. In accordance with the mandate, the Agency has entered into a merger with 2 Area Agencies on Aging effective July 1, 2013. As a result of the merger, the Agency has ceased to exist. The surviving entity, Northeast Iowa Area Agency on Aging (NEI3A), has obtained title of all real estate and other property of the merged entities, and has assumed all liabilities and obligations of each of the merged entities.

NOTE 10. Reclassifications

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation. These reclassifications had no effect on the Agency's change in net assets.

NOTE 11. Date of Management's Review

Subsequent events were evaluated through the date the financial statements were available to be issued which was November 4, 2013.

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, 2013**

FUND/SERVICE CATEGORY	<u>Area Plan Budget</u>	<u>Total Receipts</u>	<u>Total Expenditures</u>	<u>Ending Balance</u>
Iowa Dept. of Elder Affairs:				
AAA Administration	\$ -	\$ -	\$ -	\$ -
Elderly Services	329,299	329,299	329,299	-
HCBS Unmet Needs	-	-	-	-
Case Management	-	-	-	-
Senior Living Program Base	-	-	-	-
Senior Living Program Supplemental	-	-	-	-
Senior Living Program Case Mgt	-	-	-	-
Older American Act:				
Title IIIB Supportive Services	196,832	179,239	179,239	-
Title IIIC(1) Congregate Meals	241,058	139,359	139,359	-
Title IIIC(2) HD Meals	98,224	94,033	94,033	-
Title IIIE Caregiver Support	81,559	86,926	86,926	-
Title IIID Preventive Health	16,444	20,014	20,014	-
Title IIID Preventive Health MM	-	-	-	-
USDA Cash	80,350	80,506	80,506	-
Other Funds:				
Local Public Funds	10,650	15,755	11,355	4,400
Medical Assistance Waiver	-	-	-	-
Other Local Cash	110,360	568,566	53,654	514,912
Senior Living Program Contributions	-	-	-	-
Program Income:				
Title IIIB Supportive Services	9,960	9,178	6,005	3,173
Title IIIC(1)	222,510	313,791	313,791	-
Title IIIC(2) HD Meals	156,519	133,671	133,671	-
Title IIIE Caregiver Support	-	71	71	-
Program Income Other	-	90	90	-
Total Cash	<u>1,553,765</u>	<u>1,970,498</u>	<u>1,448,013</u>	<u>522,485</u>
Non-Cash: In-Kind Matching	<u>157,370</u>	<u>240,806</u>	<u>240,806</u>	<u>-</u>
Total Per Cost Sharing Report	<u>\$ 1,711,135</u>	<u>\$ 2,211,304</u>	<u>\$ 1,688,819</u>	<u>\$ 522,485</u>
Reconciling Items:				
Non-Cash Not on Books		(237,586)	(237,586)	
SMP		5,504	5,504	
IME		522,677	522,677	
Deferred Revenue from Prior Year		(643,383)	-	
Defer Dementia Fund		(14,671)	-	
Title IIIB Supportive Services		5,713	-	
Depreciation Expense		-	17,736	
Purchase of Property		-	(16,320)	
Rounding		-	-	
Total Per Audit Report		<u>\$ 1,849,558</u>	<u>\$ 1,980,830</u>	<u>\$ (131,272)</u>

(Continued)

**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, 2013**

FUND/SERVICE CATEGORY	Total	Administration 1A	Chore 3	HD Meals 4
Iowa Dept. of Elder Affairs:				
AAA Administration	\$ -	\$ -	\$ -	\$ -
Elderly Services	329,299	24,697	71	17,171
HCBS Unmet Needs	-	-	-	-
Case Management	-	-	-	-
Senior Living Program	-	-	-	-
Senior Living Program Supplement	-	-	-	-
Senior Living Program Case Management	-	-	-	-
Older American Act:				
Title IIIB Supportive Services	179,239	55,104	-	-
Title IIIC(1) Congregate Meals	139,359	-	-	-
Title IIIC(2) HD Meals	94,033	-	-	94,033
Title IIIE Caregiver Support	86,926	8,345	-	-
Title IIID Preventive Health	20,014	-	-	-
Title IIID Preventive Health MM	-	-	-	-
USDA Cash	80,506	-	-	32,202
Title XIX Assessments	-	-	-	-
Other Funds:				
Local Public Funds	11,355	-	-	-
Medical Assistance Waiver	-	-	-	-
Other Local Cash	53,654	16,618	-	-
Senior Living Program Contributions	-	-	-	-
Program Income:				
Title IIIB Supportive Services	6,005	-	-	-
Title IIIC(1) Congregate Meals	313,791	-	-	-
Title IIIC(2) HD Meals	133,671	-	-	133,671
Title IIIE Caregiver Support	71	-	-	-
Other Program	90	-	-	-
Total Cash	1,448,013	104,764	71	277,077
Non-Cash: In-Kind Matching	240,806	3,220	-	123,760
Total Per Cost Sharing Report	<u>\$ 1,688,819</u>	<u>\$ 107,984</u>	<u>\$ 71</u>	<u>\$ 400,837</u>

Adult Daycare 5	Case Management 6	Congregate Meals 7	Nutrition Counseling 8	Transportation 10
\$ -	\$ -	\$ -	\$ -	\$ -
69,817	73,195	7,174	-	3,000
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	40	1,554
-	-	117,127	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	48,304	-	-
-	-	-	-	-
-	-	-	-	11,355
-	-	-	-	-
-	-	-	-	-
-	-	-	-	6,005
-	-	313,791	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
69,817	73,195	486,396	40	21,914
1,618	-	77,591	-	15,847
<u>\$ 71,435</u>	<u>\$ 73,195</u>	<u>\$ 563,987</u>	<u>\$ 40</u>	<u>\$ 37,761</u>

(Continued)

**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, 2013**

FUND/SERVICE CATEGORY	Legal Assistance 11	Nutrition Education 12	Information & Assistance 13	Outreach 14
Iowa Dept. of Elder Affairs:				
AAA Administration	\$ -	\$ -	\$ -	\$ -
Elderly Services	-	-	16,352	41,090
HCBS Unmet Needs	-	-	-	-
Case Management	-	-	-	-
Senior Living Program	-	-	-	-
Senior Living Program Supplement	-	-	-	-
Senior Living Program Case Management	-	-	-	-
Older American Act:				
Title IIIB Supportive Services	14,572	-	-	13,922
Title IIIC(1) Congregate Meals	-	22,232	-	-
Title IIIC(2) HD Meals	-	-	-	-
Title IIIE Caregiver Support	-	-	49,077	-
Title IIID Preventive Health	-	-	-	-
Title IIID Preventive Health MM	-	-	-	-
USDA Cash	-	-	-	-
Title XIX Assessments	-	-	-	-
Other Funds:				
Local Public Funds	-	-	-	-
Medical Assistance Waiver	-	-	-	-
Other Local Cash	-	-	780	27,864
Senior Living Program Contributions	-	-	-	-
Program Income:				
Title IIIB Supportive Services	-	-	-	-
Title IIIC(1) Congregate Meals	-	-	-	-
Title IIIC(2) HD Meals	-	-	-	-
Title IIIE Caregiver Support	-	-	-	-
Other Program	-	-	-	-
Total Cash	14,572	22,232	66,209	82,876
Non-Cash: In-Kind Matching	2,577	-	-	-
Total Per Cost Sharing Report	<u>\$ 17,149</u>	<u>\$ 22,232</u>	<u>\$ 66,209</u>	<u>\$ 82,876</u>

Caregiver Support A2	Respite B3	Emergency Response System B4	Medication Management B6	Evidence Based Health Activities B7
\$ -	\$ -	\$ -	\$ -	\$ -
2,900	25,491	32,077	321	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	8,076	-	-	-
-	-	-	-	-
-	-	-	-	-
2,414	6,514	-	-	-
-	-	-	-	18,511
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
193	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
71	-	-	-	-
-	-	90	-	-
5,578	40,081	32,167	321	18,511
-	14,517	1,604	-	-
<u>\$ 5,578</u>	<u>\$ 54,598</u>	<u>\$ 33,771</u>	<u>\$ 321</u>	<u>\$ 18,511</u>

(Continued)

**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, 2013**

FUND/SERVICE CATEGORY	Advocacy C1	Training & Education D1	Material Aide F2	Public Information F3
Iowa Dept. of Elder Affairs:				
AAA Administration	\$ -	\$ -	\$ -	\$ -
Elderly Services	-	4,000	1,943	10,000
HCBS Unmet Needs	-	-	-	-
Case Management	-	-	-	-
Senior Living Program	-	-	-	-
Senior Living Program Supplement	-	-	-	-
Senior Living Program Case Management	-	-	-	-
Older American Act:				
Title IIIB Supportive Services	588	357	85,026	-
Title IIIC(1) Congregate Meals	-	-	-	-
Title IIIC(2) HD Meals	-	-	-	-
Title IIIE Caregiver Support	-	-	1,432	19,144
Title IIID Preventive Health	-	1,503	-	-
Title IIID Preventive Health MM	-	-	-	-
USDA Cash	-	-	-	-
Title XIX Assessments	-	-	-	-
Other Funds:				
Local Public Funds	-	-	-	-
Medical Assistance Waiver	-	-	-	-
Other Local Cash	-	1,988	1,970	4,241
Senior Living Program Contributions	-	-	-	-
Program Income:				
Title IIIB Supportive Services	-	-	-	-
Title IIIC(1) Congregate Meals	-	-	-	-
Title IIIC(2) HD Meals	-	-	-	-
Title IIIE Caregiver Support	-	-	-	-
Other Program	-	-	-	-
Total Cash	588	7,848	90,371	33,385
Non-Cash: In-Kind Matching	-	-	72	-
Total Per Cost Sharing Report	<u>\$ 588</u>	<u>\$ 7,848</u>	<u>\$ 90,443</u>	<u>\$ 33,385</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, 2013**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Program Expenditures</u>
Passed Through State of Iowa Department of Elder Affairs:		
U.S. Department of Health and Human Services:		
Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	\$ 179,239
Title III, Part C - Nutrition Services - Congregate Meals and Home Delivered Meals	93.045	233,392
Title III, Part D - Preventive Health	93.043	20,014
Title III, Part E - Caregiver Support	93.052	86,926
Operation Restore Trust (Passed through from Hawkeye Valley Agency on Aging)	93.779	<u>4,078</u>
Total Department of Health and Human Services		<u>523,649</u>
U.S. Department of Agriculture Nutrition Services Incentive Program (Cash and Commodities)	93.053	<u>80,506</u>
Passed Through St. Mary's Apartments of Dubuque, LLC:		
U.S. Department of Housing and Urban Development		
Service Coordinators in Multifamily Housing	14.191	<u>29,449</u>
Passed Through Iowa Department of Education:		
U.S. Department of Agriculture Nutrition Services:		
Summer Food Service Program	10.559	<u>4,081</u>
Total Federal Awards		<u>\$ 637,685</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 basic financial statements of Scenic Valley Area VIII Agency on Aging (the "Agency") as of and for the year ended June 30, 2013, and have issued our report thereon dated November 4, 2013. 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

Management of Scenic Valley Area VIII Agency on Aging is responsible for establishing and maintaining effective 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 Scenic Valley Area VIII Agency on Aging's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 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.

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.

Restricted Use

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control over financial reporting and compliance. Accordingly, this report is not suitable for any other purpose.

HONKAMP KRUEGER & CO., P.C.

A handwritten signature in cursive script that reads "Honkamp Krueger & Co." The signature is written in black ink and is positioned below the printed name of the firm.

Dubuque, Iowa
November 4, 2013



Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on 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 (the "Agency") with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. Scenic Valley Area VIII Agency on Aging'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

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Agency's management.

Auditor's Responsibility

Our responsibility is to express an opinion on Scenic Valley Area VIII Agency on Aging's compliance with the applicable compliance requirements based on our compliance audit.

We conducted our compliance audit 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and Circular A-133 require that we plan and perform the compliance 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. A compliance 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 compliance audit provides a reasonable basis for our opinion. Our compliance audit does not provide a legal determination on Scenic Valley Area VIII Agency on Aging's compliance with those requirements.

Opinion

In our opinion, Scenic Valley Area VIII Agency on Aging 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 for the year ended June 30, 2013.

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 the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our compliance 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 as a basis for designing our compliance auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with 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 Scenic Valley Area VIII Agency on Aging's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Restricted Use

The purpose of this report is solely for the information and use of management, the Board of Directors, and others within the Agency, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control over financial reporting and compliance. Accordingly, this report is not suitable for any other purpose 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
November 4, 2013

**Scenic Valley Area VIII Agency on Aging
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

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 programs were 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
- 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, 2013**

There were no prior audit findings.