

FINANCIAL STATEMENTS
JUNE 30, 2008

DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES**

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**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jack Smeltzer	Chairperson	12/31/2012
Phyllis Anderson	Secretary	12/31/2008
Mary Kathryn O'Neill	Treasurer	12/31/2008
Paul Meyers	Member	12/31/2008
Robert Sullivan	Member	12/31/2010
Nancy Webster	Member	12/31/2010
Sheila Frank	Member	12/31/2012



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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Dubuque County Hospital
at Sunnycrest Manor
Board of Trustees
Dubuque, Iowa

We have audited the accompanying balance sheet of **Dubuque County Hospital at Sunnycrest Manor Board of Trustees**, as of June 30, 2008, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Dubuque County Hospital at Sunnycrest Manor Board of Trustees** as of June 30, 2008, and the changes in its financial position and its cash flows for the year 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 our report dated October 13, 2008, on our consideration of **Dubuque County Hospital at Sunnycrest Manor Board of Trustees'** 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Management's Discussion and Analysis on pages 4 and 5 and the Budgetary Comparison Information on pages 14 and 15 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Eide Bailly LLP

Dubuque, Iowa
October 13, 2008

DUBUQUE COUNTY HOSPITAL AT SUNNYCREST MANOR BOARD OF TRUSTEES

Management's Discussion and Analysis

This section of Dubuque County Hospital at Sunnycrest Manor Board of Trustees' annual financial report presents background information and management's analysis of the financial performance during the fiscal year ended June 30, 2008. We encourage readers to read this analysis in conjunction with the financial statements in this report.

Financial Highlights

- The Trustees' total assets increased by \$346,460 or 5%. A significant portion of this increase represents an increase in capital equipment and buildings.
- The Trustees' assets exceeded liabilities by \$5,921,511 at June 30, 2008.
- During the period, the Trustees' total operating revenues were \$819,500, while the operating expenses were \$595,413. The Trustees had income from operations of \$224,087, which is 27% of total operating revenues.
- The Trustees made capital equipment and building improvements totaling \$702,959 during the period. The source of funding for these items was derived from tax revenues. Capital equipment purchases included bladder scan equipment. Building improvements included renovation of the 3rd floor north wing and HVAC upgrades.

Overview of the Financial Statements

The basic financial statements of the Trustees report information using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term information about its activities.

The balance sheet provides information about the nature and amounts of the Trustees' assets and liabilities. The balance sheet at June 30, 2008, reports total assets of \$6,987,742, total liabilities of \$1,066,231 and net assets of \$5,921,511.

The statement of revenues, expenses, and changes in net assets provides information on the Trustees' revenues and expenses. This statement indicates total operating revenues of \$819,500 and total operating expenses of \$595,413 during the year ended June 30, 2008. The operating income was \$224,087 for the period.

There are notes to the financial statements included in the audit report. The reader is encouraged to examine these notes for additional information.

Long-term Debt

At year-end, the Trustees had no debt.

Factors Bearing on Financial Future

The Trustees' financial position continued to improve. The current condition of the economy continues to be a concern for Trustee officials as changes in the local housing market may have an impact on future property values and subsequent tax revenues. The Trustees have developed a five-year plan for capital improvements that will provide a guide for future revenue and expense planning. Some of the realities that might potentially become challenges for the Trustees are as follows:

- Expenses will continue to increase as the costs of equipment and services change based on current economic trends.
- Facilities require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated, presenting an on-going challenge to maintain up-to-date technology at a reasonable cost.

The Trustees anticipate the next fiscal year will be busier than the last. Planned projects include a three story addition to the North Wing to house a new generator and air handling equipment, upgrades to facility electrical/HVAC systems, and a new above ground fuel storage tank. In addition to new projects, the maintenance of the existing buildings and grounds will require ongoing preventative maintenance and contract service costs. Administration will continue to maintain a close watch over resources to maintain the Trustees' ability to react to unknown issues that may arise.

Requests for Information

Questions regarding the information provided in this report or requests for additional financial information should be addressed to Sunnycrest Manor Administrator at the following address:

Sunnycrest Manor
Attn: Cathy Hedley
2375 Roosevelt Road
Dubuque, IA 52001

**DUBUQUE COUNTY HOSPITAL
 AT SUNNYCREST MANOR
 BOARD OF TRUSTEES
 BALANCE SHEET
 JUNE 30, 2008**

ASSETS

CURRENT ASSETS

Cash and cash equivalents - Note 2	\$ 593,401
Receivables	
Property tax	
Delinquent	7,821
Succeeding year	875,000
Rent	<u>4,875</u>
 Total current assets	 1,481,097

LAND, BUILDINGS, AND EQUIPMENT, net - Note 3	<u>5,506,645</u>
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Total assets	<u><u>\$ 6,987,742</u></u>
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LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 157,374
Construction payable	32,857
Deferred revenue	<u>876,000</u>
Total liabilities	1,066,231

NET ASSETS

Unrestricted	<u>5,921,511</u>
 Total liabilities and net assets	 <u><u>\$ 6,987,742</u></u>

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2008**

OPERATING REVENUES	
Property tax	\$ 798,920
Rental income	5,700
Miscellaneous	<u>14,880</u>
TOTAL OPERATING REVENUES	<u>819,500</u>
OPERATING EXPENSES	
Administration	1,219
Architect and engineer fees	4,793
Computer services	2,758
Information systems management	53,605
Depreciation	274,521
Insurance	28,019
Miscellaneous	609
Painting Services	5,218
Professional fees	11,675
Repairs and maintenance	172,275
Supplies and equipment	40,400
Training and seminars	<u>321</u>
TOTAL OPERATING EXPENSES	<u>595,413</u>
OPERATING INCOME	<u>224,087</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	19,108
Loss on disposal of equipment	<u>(45,330)</u>
NET NONOPERATING REVENUES (EXPENSES)	<u>(26,222)</u>
REVENUES IN EXCESS OF EXPENSES	197,865
NET ASSETS, BEGINNING OF YEAR	<u>5,723,646</u>
NET ASSETS, END OF YEAR	<u>\$ 5,921,511</u>

See notes to financial statements.

**DUBUQUE COUNTY HOSPITAL
 AT SUNNYCREST MANOR
 BOARD OF TRUSTEES
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2008**

OPERATING ACTIVITIES	
Change in net assets	\$ 197,865
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	274,521
Loss on disposal of equipment	45,330
Changes in assets and liabilities	
Delinquent property taxes	(1,239)
Succeeding year property taxes	(78,060)
Prepaid expense	4,500
Accounts payable	147,654
Construction payables	(77,119)
Deferred revenue	<u>78,060</u>
NET CASH FROM OPERATING ACTIVITIES	591,512
INVESTING ACTIVITIES	
Purchases of improvements and equipment	<u>(702,959)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(111,447)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>704,848</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 593,401</u>

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The purpose of the Dubuque County Hospital at Sunnycrest Manor Board of Trustees (“the Board of Trustees”) is to provide and maintain the buildings and equipment at Sunnycrest Manor. The Board of Trustees exists as a governmental entity pursuant to Section 347.9 of the Code of Iowa and continues to be responsible for the physical facilities at Sunnycrest Manor. The facilities are leased to the Dubuque County Board of Supervisors who use the property as a county care facility operated under Iowa Code Section 347B.

The Board of Trustees’ financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, the Board of Trustees has included all funds, organizations, agencies, boards, commissions, and authorities. The Board of Trustees has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Board of Trustees are such that exclusion would cause the Board of Trustees’ financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the Board of Trustees to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Board of Trustees.

The Dubuque County Hospital at Sunnycrest Manor Board of Trustees is a governmental taxing entity located in Dubuque County, Iowa. The Board of Trustees receives property taxes from Dubuque County. The Board of Trustees is not a component of any other entity and no other agency has been included as a component unit in the Board of Trustees’ financial statements.

Measurement Focus and 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 Board of Trustees reports in accordance with accounting principles generally accepted in the United States of America as specified by the American Institute of Certified Public Accountants’ *Audit and Accounting Guide for Health Care Organizations* and, as a governmental entity, also provides certain disclosures required by the Governmental Accounting Standards Board (GASB). The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

In reporting its financial activity, the Board of Trustees applies all applicable GASB pronouncements for proprietary funds as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

Property Tax Receivable

Property tax receivable is recognized on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify the budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Land, Buildings, and Equipment

Land, buildings, and equipment acquisitions in excess of \$5,000 are capitalized and are recorded at cost. Land, buildings, and equipment donated for the Board of Trustees' operations are recorded as additions to net assets at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The estimated useful lives of land, buildings, and equipment are as follows:

Land improvements	5-25 years
Buildings and improvements	5-50 years
Equipment	3-20 years

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable.

Operating Revenues and Expenses

The Trustees' statement of revenues, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange and non-exchange transactions associated with collecting property taxes, rental income, and other miscellaneous income. Operating expenses are all expenses incurred to maintain the physical facilities at Sunnycrest Manor. Grant income, interest income and expense, and loss on disposal of equipment are reported as nonoperating revenues and expenses.

Investment Income

Interest on cash and deposits is included in nonoperating revenues and expenses.

Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and the notes thereto.

NOTE 2 – CASH AND CASH EQUIVALENTS

At June 30, 2008, the Board of Trustees' carrying amounts of cash and deposits consist of checking and savings accounts are held at a credit union and are reported on the balance sheet as cash and cash equivalents. Unsecured public funds deposited in a credit union are required to be secured by letters of credit per Chapter 12C.16 of the Code of Iowa. At times, the balance of these deposits exceeded the amount covered by the letters of credit.

Any of the Board of Trustees' deposits in banks would be entirely covered by Federal depository insurance, or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Interest rate risk is the exposure to fair value losses resulting from rising interest rates. The primary objectives, in order of priority, of all investment activities involving the financial assets of the Board of Trustees are:

1. **Safety:** Safety and preservation of principal in the overall portfolio.
2. **Liquidity:** Maintaining the necessary liquidity to match expected liabilities.
3. **Return:** Obtaining a reasonable return.

The Board of Trustees attempts to limit its interest rate risk while investing within the guidelines of its investment policy and Chapter 12C of the Code of Iowa.

NOTE 3 – LAND, BUILDINGS, AND EQUIPMENT

Summaries of land, buildings, and equipment at June 30, 2008, are as follows:

	June 30, 2007				June 30, 2008
	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance</u>
Land, buildings, and equipment					
Land	\$ 6,000	\$ -	\$ -	\$ -	\$ 6,000
Building	6,300,903	69,062	-	1,785,442	8,155,407
Fixed equipment	1,773,702	8,382	(202,920)	-	1,579,164
Vehicles	60,008	-	-	-	60,008
Construction in progress	1,248,983	625,515	-	(1,785,442)	89,056
Total	<u>\$ 9,389,596</u>	<u>\$ 702,959</u>	<u>\$ (202,920)</u>	<u>\$ -</u>	<u>\$ 9,889,635</u>
Accumulated depreciation					
Building	\$ 2,978,923	\$ 182,827	\$ -	\$ -	\$ 3,161,750
Fixed equipment	1,227,128	91,694	(157,590)	-	1,161,232
Vehicles	<u>60,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,008</u>
Total	<u>4,266,059</u>	<u>\$ 274,521</u>	<u>\$ (157,590)</u>	<u>-</u>	<u>4,382,990</u>
Land, buildings, and equipment, net	<u>\$ 5,123,537</u>				<u>\$ 5,506,645</u>

Construction in progress at June 30, 2008, consists mainly of costs incurred to date for engineering fees related to the north wing three story shell addition and the underground storage tank project. The total cost of completing the addition and the underground storage tank are estimated at approximately \$570,000 and \$60,000, respectively. The projects are expected to be completed by June 15, 2009. The Trustees are using current assets to fund the projects.

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 4 – RELATED PARTY TRANSACTIONS

A lease agreement was executed on January 29, 2001, for Dubuque County to lease the following property from Dubuque County Hospital Board of Trustees:

Lot 3 of the Subdivision of Mineral Lot 306 in the City of Dubuque, Dubuque County, Iowa, upon which certain health care facilities and buildings presently exist.

The term of the lease is 10 years in which rent of \$10 is due at the beginning of each year. The lease will automatically renew until terminated by giving six months notice by either party to the other.

NOTE 5 – RISK MANAGEMENT

Dubuque County Hospital at Sunnycrest Manor Board of Trustees, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Trustees assume liability for any deductibles and claims in excess of coverage limitations.

NOTE 6 – ASSET RETIREMENT OBLIGATIONS

Certain facilities of Dubuque County Hospital at Sunnycrest Manor Board of Trustees contain asbestos. Current regulations require that the potential hazard created by the asbestos be remediated if the facilities undergo major renovations or are demolished. Under the provisions of FASB Interpretation (FIN) No. 47 Accounting for Asset Retirement Obligations this situation creates a future asset retirement obligation. In accordance with FIN 47 Dubuque County Hospital at Sunnycrest Manor Board of Trustees has not recognized a liability for the asset retirement obligation at this time because the fair value of the liability cannot be reasonably estimated. This is because the settlement date, which would be the date of major renovation or demolition, is indeterminate since the Organization has no current plans to perform either of these functions. Dubuque County Hospital at Sunnycrest Manor Board of Trustees will recognize a liability in the period when sufficient information is available to reasonably estimate its fair value.

DUBUQUE COUNTY HOSPITAL**AT SUNNYCREST MANOR****BOARD OF TRUSTEES****BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN****NET ASSETS – BUDGET AND ACTUAL (CASH BASIS)****YEAR ENDED JUNE 30, 2008**

	<u>Accrual Basis</u>	<u>Accrual Adjustments</u>	<u>Actual Cash Basis</u>	<u>Budget</u>	<u>Variance Favorable</u>
Estimated amount to be raised by taxation	\$ 798,920	\$ 1,239	\$ 797,681	\$ 770,772	\$ 26,909
Estimated other revenues/receipts	<u>39,688</u>	<u>(13,500)</u>	<u>53,188</u>	<u>27,320</u>	<u>25,868</u>
	838,608	(12,261)	850,869	798,092	52,777
Expenses/disbursements	<u>640,743</u>	<u>(321,573)</u>	<u>962,316</u>	<u>981,049</u>	<u>18,733</u>
Net	197,865	309,312	(111,447)	(182,957)	<u>\$ 71,510</u>
Balance, beginning of year	<u>5,723,646</u>	<u>5,018,798</u>	<u>704,848</u>	<u>382,957</u>	
Balance, end of year	<u>\$ 5,921,511</u>	<u>\$ 5,328,110</u>	<u>\$ 593,401</u>	<u>\$ 200,000</u>	

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary prospective differences resulting from the Trustee's preparing a budget on the cash basis of accounting.

The Board of Trustees annually prepares and adopts a budget designating the amount necessary for the improvement and maintenance of Sunnycrest Manor on the cash basis following required public notice and hearing in accordance with Chapters 24 and 347 of the Code of Iowa. The Board of Trustees certifies the approved budget to the appropriate county auditors. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total expenditures. The budget was not amended during the year ended June 30, 2008.

For the year ended June 30, 2008, the Trustee's expenditures did not exceed the amount budgeted.



CPAs & BUSINESS ADVISORS

**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**

The Board of Trustees
Dubuque County Hospital
at Sunnycrest Manor
Dubuque, Iowa

We have audited the accompanying balance sheets of Dubuque County Hospital at Sunnycrest Manor Board of Trustees, as of June 30, 2008, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year ended June 30, 2008, and have issued our report thereon dated October 13, 2008. 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 the Board of Trustees' 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 our opinion on the effectiveness of the Board of Trustees' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board of Trustees' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the 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 Board of Trustees' ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of the Board of Trustees' financial statements that is more than inconsequential will not be prevented or detected by the Board of Trustees' internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings and Responses to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the significant deficiency described in Part I of the accompanying Schedule of Findings and Responses, we believe is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of Dubuque County Hospital at Sunnycrest Manor Board of Trustees, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the Board of Trustees' operations for the year ended June 30, 2008, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Board of Trustees. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Board of Trustees' responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the Board of Trustees' responses, we did not audit the Board of Trustees' responses, and accordingly, we express no opinion on them.

We also noted certain additional matters that we reported to management of Dubuque County Hospital at Sunnycrest Manor Board of Trustees, in a separate letter dated October 13, 2008.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and constituents of Dubuque County Hospital at Sunnycrest Manor Board of Trustees, and other parties to whom Dubuque County Hospital at Sunnycrest Manor Board of Trustees, may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Dubuque County Hospital at Sunnycrest Manor Board of Trustees, during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
October 13, 2008

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2008**

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCY /MATERIAL WEAKNESS:

I-A-08 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP). Dubuque County Hospital at Sunnycrest Manor Board of Trustees does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes and statement of cash flows, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with GAAP can be considered costly and ineffective. However, it is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

I-B-08 Material Audit Adjustments

During the audit process, we proposed certain audit adjustments that we consider to be significant related to the Trustee’s interim financial reporting process. These adjustments involved capitalization and disposal of fixed assets, depreciation expense, prepaid expenses and accounts payable.

Recommendation

Management should continue to evaluate the accuracy and completeness of its internal financial statements, including adjustments necessary to convert cash basis information to accrual.

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2008**

Part I: Findings Related to the Financial Statements (continued):

Response

Management chooses to maintain their internal financial information on the cash basis, which is the same basis required for their budget. This may result in the need for the auditors to propose adjustments to the financial statement balances at year end. Management will compile accrual information for the auditors to record the necessary adjustments.

Conclusion

Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget – Disbursements during the year ended June 30, 2008, did not exceed the amount budgeted.
- II-B-08 Questionable Expenditures – We noted no expenditures that we believe would be in conflict with the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-08 Travel Expense – No expenditures of Board of Trustees’ money for travel expenses of spouses of Board of Trustees’ officials were noted.
- II-D-08 Business Transactions – We noted no business transactions between the Board of Trustees’ and officials.
- II-E-08 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-F-08 Deposits – Chapter 12C.2 of the Code of Iowa requires the approval of a depository resolution. The depository resolution shall name each approved depository and specify the maximum amount that may be kept on deposit at each depository. Currently, the Board of Trustees has no formal depository resolution.

Recommendation – The Board of Trustees should approve a formal depository resolution.

Response – The Board of Trustees will adopt a formal depository resolution.

Conclusion – Response accepted.

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2008**

Part II: Other Findings Related to Required Statutory Reporting: (continued)

II-G-08 Deposits – Chapter 12C.16 of the Code of Iowa requires public funds deposited in a credit union be secured by a letter of credit in an amount at least 110% of the uninsured amount. At times during the period of audit, the Board of Trustees' credit union deposits exceeded the coverage provided by NCUA insurance and the letters of credits held.

Recommendation – We recommend the letter of credits be reviewed monthly to insure there is sufficient coverage not only for the deposits currently on hand, but also for any significant deposits expected in the month to follow.

Response – Management will review the balances monthly to insure that coverage is sufficient.

Conclusion – Response accepted.

II-H-08 IRS Form 1099 Filing – The Internal Revenue Service requires the filing of form 1099 for certain payments made to an individual, partnership, or estate. This would include payments to independent contractors.

Recommendation – We recommend the Board of Trustees review the 1009 filing instructions to help identify any activity that would require the filing of an annual form 1099.

Response – The Trustees will review the instructions for filing a form 1099 and review monthly payments to identify amounts that require reporting.

Conclusion – Response accepted.



CPAs & BUSINESS ADVISORS

The Board of Trustees
Dubuque County Hospital at Sunnycrest Manor
Board of Trustees
Dubuque, Iowa

We have audited the financial statements of Dubuque County Hospital at Sunnycrest Manor Board of Trustees, for the year ended June 30, 2008, and have issued our report thereon dated October 13, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated August 20, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Dubuque County Hospital at Sunnycrest Manor Board of Trustees. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Dubuque County Hospital at Sunnycrest Manor Board of Trustees', compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you and management on August 20, 2008 and in accordance to our engagement letter to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Dubuque County Hospital at Sunnycrest Manor Board of Trustees are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We discussed all adjustments to the financial statements with management during the audit. The following adjustments, some of which are considered material, were made during the fiscal year 2008 audit:

Revenues in excess of expenses prior to audit adjustments	\$	471,789
To record fixed asset additions		77,444
To record loss on disposal of equipment		(45,330)
To record depreciation		(274,521)
To adjust payables		(19,256)
To adjust tower rent and prepaid expenses		(13,500)
Other adjustments		<u>1,239</u>
Revenues in excess of expenses as reported	\$	<u>197,865</u>

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 13, 2008.

Management Consultations with Other Independent 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 Organizations' 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 Audit 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 Trustees' auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Other Comments

We have included additional comments regarding the financial statements and operations as well as a comment for informational purposes only. These comments are not a result of in-depth study of any specific areas but are based on observations made during the course of our audit.

This information is intended solely for the use of the Board of Trustees and management of Dubuque County Hospital at Sunnycrest Manor Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

As always, we will be happy to discuss these or any other topics at your convenience. We would like to take this opportunity to express our appreciation to you and your staff for the fine cooperation that we received during the course of the audit. We look forward to many years of continued service to Dubuque County Hospital at Sunnycrest Manor Board of Trustees.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
October 13, 2008

DUBUQUE COUNTY HOSPITAL AT SUNNYCREST MANOR BOARD OF TRUSTEES

YEAR ENDED JUNE 30, 2008
OTHER COMMENTS

Employee versus Independent Contractor

The distinction between an employee and an independent contractor is important. Generally employers must withhold federal income taxes, withhold and pay social security and Medicare taxes, and pay unemployment tax on wages paid to an employee. These taxes do not apply to independent contractors. During our audit we noted one independent contractor that has some attributes of an employee. We recommend the Board of Trustees evaluate all independent contractors using IRS tools, such as Form SS-8, to insure all workers are being classified correctly.

Conflict of Interest Policy

The Board of Trustees is responsible for carrying out their job responsibilities in an honest and prudent manner exercising their best care, skill, and judgment for the sole benefit of the agency. Those persons shall exercise the utmost good faith in all transactions involved in their duties and shall not use their positions with the agency or knowledge gained there for their personal benefit. The interests of the agency must be the first priority in all decisions and actions. We suggest that a conflict of interest policy and annual statement signed by board members be developed to address these areas.

Revised Guidelines on Good Governance for Tax Exempt Entities

The issue of corporate governance of tax exempt organizations has emerged as a major focal point for the Internal Revenue Service (IRS) and is a key factor addressed in the newly revised Form 990, Return of Organization Exempt from Income Tax effective for 2008. These guidelines can be found in the IRS document "Governance and Related Topics – 501(c)(3) Organizations," at the following link: http://www.irs.gov/pub/irs-tege/governance_practices.pdf. While tax law does not mandate the guidelines, they are a clear indication of the IRS' strong commitment to monitoring governance practices of the tax-exempt community. The IRS has indicated its belief that a well-governed charity is more likely to obey the tax laws, safeguard charitable assets and serve charitable interests than one without some of the recommended guidelines. The IRS document is in line with the redesigned Form 990 governance questions and focuses on six specific topics:

- Mission
- Organizational Documents
- Governing Body
- Governance & Management Policies
- Financial Statements & Form 990 Reporting
- Transparency and Accountability

The IRS intends to monitor the organizations' practices by utilizing primarily yes/no questions and detailed descriptions of policies and procedures on the new Form 990.

Although these guidelines are directed towards 501(c)(3) organizations, all tax-exempt entities should consider the same governance practices. We recommend all tax-exempt organizations review the guidelines in detail, as well as the specific questions in Part VI of the 2008 Form 990 and consider whether current practices should be modified or new practices adopted. By reviewing the Organization's governance practices now, the Organization will be prepared to respond to the governance-related questions on the 2008 Form 990, if applicable, and portray a positive image to the IRS and the public.