

**FINANCIAL STATEMENTS
JUNE 30, 2009 AND 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
Sheila Frank	Secretary	12/31/2014
Mary Kathryn O'Neill	Treasurer	12/31/2014
Paul Meyers	Member	12/31/2014
Robert Sullivan	Member	12/31/2010
Nancy Webster	Member	12/31/2010
Cheryl Walser Kramer	Member	12/31/2012



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 sheets of **Dubuque County Hospital at Sunnycrest Manor Board of Trustees** as of June 30, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Dubuque County Hospital at Sunnycrest Manor Board of Trustees** as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2009, 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 audits.

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
August 24, 2009

**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, 2009. We encourage readers to consider this information in conjunction with the financial statements in this report.

Financial Highlights

- The Trustees' total assets increased from \$6,987,742 in 2008 to \$7,274,960 in 2009, or 4.1%. A significant portion of this increase represents an increase in capital building improvements.
- The Trustees' assets exceeded liabilities by \$6,251,492 and \$5,921,511 at June 30, 2009 and 2008, respectively.
- The Trustees' total operating revenues were \$915,895 in 2009 and \$819,500 in 2008, while the operating expenses were \$596,012 in 2009 and \$595,413 in 2008. The Trustees had income from operations of \$319,883 in 2009 and \$224,087 in 2008, which is 34.9% and 27.3% of total operating revenues, respectively.
- The Trustees made capital building improvements totaling \$492,691 during the period. The source of funding for these items was derived from tax revenues. Building improvement projects completed or in progress this past fiscal year include a 3-story addition to the North Wing; renovation of the North Wing 2nd floor/Sunrise Unit; removal and decommissioning of an underground fuel storage tank and placement of a new above ground fuel storage tank; smokestack tuck pointing and repair; new generator acquisition; brick and concrete repairs and upgrades; maintenance building and dietary door replacements; and fire alarm paneling 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 sheets provide information about the nature and amounts of the Trustees' assets and liabilities. The balance sheets at June 30, 2009 and 2008, report total assets of \$7,274,960 and \$6,987,742, total liabilities of \$1,023,468 and \$1,066,231, and net assets of \$6,251,492 and \$5,921,511, respectively.

The statements of revenues, expenses, and changes in net assets provide information on the Trustees' revenues and expenses. These statements indicate total operating revenues of \$915,895 and \$819,500, and total operating expenses of \$596,012 and \$595,413 during the years ended June 30, 2009 and 2008, respectively. The operating income was \$319,883 in 2009 and \$224,087 in 2008.

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 this past fiscal year. 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 and grounds 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 completion of the three-story shell addition to the North Wing; connecting the newly acquired generator and upgrading the main electrical service; acquisition of new air handling equipment; completion of the smokestack tuck/pointing and repairs project; interior work on the new addition and first phase renovation of the Sunrise Unit living and office areas; and several grounds projects to address drainage problems and erosion control issues. The Board will also be acquiring a new computer system which includes a point of care data entry system and installing security cameras. 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 SHEETS
JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - Note 2	\$ 700,301	\$ 593,401
Receivables		
Property tax		
Delinquent	9,322	7,821
Succeeding year	897,153	875,000
Rent	4,875	4,875
Prepaid expense	<u>5,720</u>	<u>-</u>
 Total current assets	 1,617,371	 1,481,097
 LAND, BUILDINGS, AND EQUIPMENT, net - Note 3	 <u>5,657,589</u>	 <u>5,506,645</u>
 Total assets	 <u>\$ 7,274,960</u>	 <u>\$ 6,987,742</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 26,842	\$ 157,374
Construction payable	98,973	32,857
Deferred revenue	<u>897,653</u>	<u>876,000</u>
 Total liabilities	 1,023,468	 1,066,231
NET ASSETS		
Unrestricted	<u>6,251,492</u>	<u>5,921,511</u>
 Total liabilities and net assets	 <u>\$ 7,274,960</u>	 <u>\$ 6,987,742</u>

See notes to financial statements.

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Property tax	\$ 876,681	\$ 798,920
Rental income	5,600	5,700
Miscellaneous	<u>33,614</u>	<u>14,880</u>
TOTAL OPERATING REVENUES	<u>915,895</u>	<u>819,500</u>
OPERATING EXPENSES		
Administration	578	1,219
Architect and engineer fees	8,938	4,793
Computer services	1,729	2,758
Information systems management	55,212	53,605
Depreciation	306,579	274,521
Insurance	28,600	28,019
Miscellaneous	1,266	609
Painting services	17,080	5,218
Professional fees	9,500	11,675
Repairs and maintenance	119,850	172,275
Supplies and equipment	46,180	40,400
Training and seminars	<u>500</u>	<u>321</u>
TOTAL OPERATING EXPENSES	<u>596,012</u>	<u>595,413</u>
OPERATING INCOME	<u>319,883</u>	<u>224,087</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	10,477	19,108
Loss on disposal of equipment	<u>(379)</u>	<u>(45,330)</u>
NET NONOPERATING REVENUES (EXPENSES)	<u>10,098</u>	<u>(26,222)</u>
REVENUES IN EXCESS OF EXPENSES	329,981	197,865
NET ASSETS, BEGINNING OF YEAR	<u>5,921,511</u>	<u>5,723,646</u>
NET ASSETS, END OF YEAR	<u>\$ 6,251,492</u>	<u>\$ 5,921,511</u>

See notes to financial statements.

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 329,981	\$ 197,865
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	306,579	274,521
Loss on disposal of equipment	379	45,330
Changes in assets and liabilities		
Delinquent property taxes	(1,501)	(1,239)
Succeeding year property taxes	(22,153)	(78,060)
Prepaid expense	(5,720)	4,500
Accounts payable	(130,532)	147,654
Construction payable	66,116	(77,119)
Deferred revenue	21,653	78,060
NET CASH FROM OPERATING ACTIVITIES	<u>564,802</u>	<u>591,512</u>
INVESTING ACTIVITIES		
Purchase of improvements and equipment	(492,691)	(702,959)
Proceeds from sale of fixed assets	34,789	-
NET CASH USED FOR INVESTING ACTIVITIES	<u>(457,902)</u>	<u>(702,959)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	106,900	(111,447)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>593,401</u>	<u>704,848</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 700,301</u>	<u>\$ 593,401</u>

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 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, 2009 AND 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, 2009 AND 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.

Subsequent Events

The Board of Trustees has evaluated subsequent events through August 24, 2009, the date which the financial statements were available to be issued.

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, 2009, the Board of Trustees' no longer held cash and deposits at a credit union, however checking and savings accounts were held at a credit union during the year. 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.

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

The Board of Trustees is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the 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.

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, 2009 and 2008, are as follows:

	June 30, 2008				June 30, 2009
	<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	8,155,407	19,977	(34,789)	54,902	8,195,497
Fixed equipment	1,579,164	-	(5,342)	-	1,573,822
Vehicles	60,008	-	-	-	60,008
Construction in progress	89,056	472,714	-	(54,902)	506,868
Total	<u>9,889,635</u>	<u>\$ 492,691</u>	<u>\$ (40,131)</u>	<u>\$ -</u>	<u>10,342,195</u>
Accumulated depreciation					
Building	3,161,750	\$ 234,556	\$ -	\$ -	3,396,306
Fixed equipment	1,161,232	72,024	(4,964)	-	1,228,292
Vehicles	60,008	-	-	-	60,008
Total	<u>4,382,990</u>	<u>\$ 306,580</u>	<u>\$ (4,964)</u>	<u>\$ -</u>	<u>4,684,606</u>
Land, buildings, and equipment, net	<u>\$ 5,506,645</u>				<u>\$ 5,657,589</u>

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**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

	June 30, 2007				June 30, 2008
	Balance	Additions	Deductions	Transfers	Balance
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	60,008	-	-	-	60,008
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, 2009, consists mainly of costs incurred to date for engineering fees and construction costs related to the second floor of the 3 Story North Wing Shell Addition, smokestack, and generator projects. The total cost of completing the remodeling, smokestack, and generator are estimated at approximately \$570,000, \$35,000, and \$200,000, respectively. The projects are expected to be completed by September or October 2009. The Trustees are using current assets to fund the projects.

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 Board of Trustees assumes liability for any deductibles and claims in excess of coverage limitations.

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**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

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 Board of Trustees 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. The Board of Trustees plans to set aside a small budget to fund this liability.

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, 2009**

	<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	\$ 876,681	\$ (1,501)	\$ 875,180	\$ 847,168	\$ 28,012
Estimated other revenues/receipts	<u>49,691</u>	<u>66,064</u>	<u>115,755</u>	<u>45,532</u>	<u>70,223</u>
	926,372	64,563	990,935	892,700	98,235
Expenses/disbursements	<u>596,391</u>	<u>287,644</u>	<u>884,035</u>	<u>891,143</u>	<u>7,108</u>
Net	329,981	(223,081)	106,900	1,557	<u>\$ 105,343</u>
Balance, beginning of year	<u>5,921,511</u>	<u>(5,328,110)</u>	<u>593,401</u>	<u>203,693</u>	
Balance, end of year	<u>\$ 6,251,492</u>	<u>\$ (5,551,191)</u>	<u>\$ 700,301</u>	<u>\$ 205,250</u>	

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
JUNE 30, 2009**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from the Board of Trustees 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, 2009.

For the year ended June 30, 2009, the Board of Trustees' 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
Board of Trustees
Dubuque, Iowa

We have audited the accompanying balance sheets of Dubuque County Hospital at Sunnycrest Manor Board of Trustees as of June 30, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended and have issued our report thereon dated August 24, 2009. 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.

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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

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 deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies 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, of the significant deficiencies described above, we believe items I-A-09 and I-B-09 are material weaknesses.

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 a certain immaterial instance of non-compliance or other matters that is 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, 2009, 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 a certain additional matter that we reported to management of Dubuque County Hospital at Sunnycrest Manor Board of Trustees in a separate letter dated August 24, 2009.

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 Sully LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
August 24, 2009

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2009**

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES /MATERIAL WEAKNESSES:

I-A-09 Preparation of Financial Statements

Criteria: A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity. 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).

Condition: The 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 GAAP. 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.

Cause/Effect: 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. The effect of this condition is that the financial reporting is prepared by a party outside of the Board of Trustees. The outside party does not have the constant contact with ongoing financial transactions that internal staff have. Furthermore, it is possible that new standards may not be adopted and applied timely to the interim financial reporting. It is the responsibility of the Board of Trustees 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.

Recommendation: We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to be able to draft the financial statements internally.

Response: This finding and recommendation is not a result of any change in procedures, rather it is due to an auditing standard implemented by the American Institute of Certified Public Accountants. 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-09 Material Audit Adjustments

Criteria: The Board of Trustees is required to have effective internal controls that are designed and in place to detect and prevent errors in a timely manner.

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2009**

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

Condition: During the audit process, we proposed certain audit adjustments that we considered to be significant related to the Board of Trustees' interim financial reporting process. These adjustments involved capitalization of fixed assets, depreciation expense, prepaid expenses and accounts payable.

Cause/Effect: Financial statement information is maintained on the cash basis for budgetary purposes and converted to accrual basis at year end for the audit report. Adjustments to bring the interim financial statements to accrual basis financial statements may not be made as the result of limited personnel or lack of knowledge for such accruals.

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.

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-09 Certified Budget – Disbursements during the year ended June 30, 2009, did not exceed the amount budgeted.
- II-B-09 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-09 Travel Expense – No expenditures of Board of Trustees money for travel expenses of spouses of Board of Trustees officials were noted.
- II-D-09 Business Transactions – We noted no business transactions between the Board of Trustees and Board of Trustees officials.
- II-E-09 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-F-09 Deposits – Chapter 12C.2 of the Code of Iowa requires the approval of a depository resolution. The Board of Trustees adopted a depository resolution during the fiscal year to name each approved depository and specify the maximum amount that may be kept on deposit at each depository in accordance with the Code of Iowa.

**DUBUQUE COUNTY HOSPITAL
AT SUNNYCREST MANOR
BOARD OF TRUSTEES
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2009**

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

II-G-09 Deposits

Criteria: 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.

Condition: 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 credit held.

Cause/Effect: The Board of Trustees maintained letters of credit with a credit union during the first four months of the fiscal year, during which time, balances exceeded the 110% uninsured amount which results in non-compliance with the Code of Iowa. The Board of Trustees subsequently pulled funds maintained in the credit union and transferred them to an FDIC insured financial institution.

Recommendation: We recommend, pending reinstatement of funds with a credit union, that the letters of credit be reviewed monthly to ensure there is sufficient coverage not only for the deposits on hand, but also for any significant deposits expected in the month to follow.

Response: The Board of Trustees no longer maintains monies in a credit union; however, we will review the balances monthly to ensure that coverage is sufficient in the event of funds being deposited with a credit union.

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, 2009, and have issued our report thereon dated August 24, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated June 22, 2009. Professional standards also require that we communicate to you the following information related to our audit.

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, 2009. We noted no transactions entered into by the Board of Trustees during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 2009 audit:

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Revenues in excess of expenses prior to audit adjustments	\$	637,767
To record fixed asset additions		19,977
To record depreciation		(306,579)
To adjust payables		14,431
To adjust costs of fixed assets capitalized		(34,789)
To record post-dated expenses in current fiscal year		(8,168)
To adjust prepaid expenses		5,720
Other adjustments		<u>1,622</u>
Revenues in excess of expenses as reported	\$	<u>329,981</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 August 24, 2009.

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 financial statements of the Board of Trustees 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 Board of 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 an additional comment regarding the financial statements and operations. This comment is not a result of an in-depth study of any specific area but is 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.

The Board of Trustees

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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 Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
August 24, 2009

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

**YEAR ENDED JUNE 30, 2009
OTHER COMMENTS**

Tracking and Capitalizing Fixed Asset Purchases

The Board of Trustees is responsible for maintaining adequate records of capital asset purchases and projects which require capitalization. The Board currently does not have a process in place to track expenses related to capital asset purchases or capital related projects. We recommend the Board of Trustees maintain a spreadsheet listing of all individual capital asset purchases. This spreadsheet should compile all expenditures related to capital purchases and group related project costs together. Although the Organization's capitalization threshold is \$5,000, individual items less than \$5,000 but related to a single project should also be tracked and capitalized as a single project cost rather than being expensed.