



Financial Statements
June 30, 2011 and 2010

Dubuque County Hospital at Sunnycrest Manor Board of Trustees

Dubuque County Hospital at Sunnycrest Manor Board of Trustees

Table of Contents
June 30, 2011 and 2010

Board of Trustees	1
Independent Auditor’s Report.....	2
Management’s Discussion and Analysis.....	4
Basic Financial Statements	
Balance Sheets	8
Statements of Revenues, Expenses, and Changes in Net Assets	9
Statements of Cash Flows	10
Notes to Financial Statements.....	11
Required Supplementary Information	
Budgetary Comparison Schedule of Revenues, Expenses, and Changes in Net Assets – Budget and Actual (Cash Basis)	18
Notes to Required Supplementary Information – Budgetary Reporting.....	19
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20
Schedule of Findings and Responses	22

Dubuque County Hospital at Sunnycrest Manor Board of Trustees

Board of Trustees
June 30, 2011 and 2010

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sheila Frank	Chairperson	12/31/2014
Cheryl Walser Kramer	Secretary	12/31/2012
Mary Kathryn O'Neill	Treasurer	12/31/2014
Paul Meyers	Member	12/31/2014
Michael Muir	Member	12/31/2016
Nancy Webster	Member	12/31/2016
Jack Smeltzer	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, 2011 and 2010, 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 management of the Board of Trustees. 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, 2011 and 2010, 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 September 15, 2011, on our consideration of Dubuque County Hospital at Sunnycrest Manor Board of Trustees' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 and the Budgetary Comparison Information on pages 18 and 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Eide Bailly LLP

Dubuque, Iowa
September 15, 2011

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 years ended June 30, 2011, 2010, and 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 \$7,590,257 in 2010 to \$7,984,566 in 2011, or 5.2%. A significant portion of this increase represents an increase in capital building improvements.
- The Trustees' assets exceeded liabilities by \$6,881,379 and \$6,471,446 at June 30, 2011 and 2010, respectively.
- The Trustees' total operating revenues were \$1,002,163 in 2011 and \$904,421 in 2010, while the operating expenses were \$591,639 in 2011 and \$686,281 in 2010. The Trustees had income from operations of \$410,524 in 2011 and \$218,140 in 2010, which is 41.0% and 24.1% of total operating revenues, respectively.
- The Trustees made capital building improvements totaling \$960,306 during the period. The source of funding for the various projects completed this fiscal year was derived from tax revenues and a FEMA grant. Renovation of the North Wing 1968 addition of the facility continued with completion of the Sunrise Unit Phase 1 which included completion of new offices in the three-story shell addition to the North Wing. Caseloads, new beds, appliances, and office furniture were purchased for the remodeled resident rooms and offices. Repairs to grounds, the front parking lot, and main roadway related to storm damage and erosion were completed in part with funding from a FEMA grant.

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, 2011 and 2010, report total assets of \$7,984,566 and \$7,590,257, total liabilities of \$1,103,187 and \$1,118,811, and net assets of \$6,881,379 and \$6,471,446, 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 \$1,002,163 and \$904,421, and total operating expenses of \$591,639 and \$686,281 during the years ended June 30, 2011 and 2010, respectively. The operating income was \$410,524 in 2011 and \$218,140 in 2010.

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

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
Management's Discussion and Analysis
June 30, 2011 and 2010

Condensed Financial Statements

<i>Balance Sheets</i>	June 30, 2011	June 30, 2010	June 30, 2009
Assets			
Current Assets			
Cash and cash equivalents	\$ 566,369	\$ 473,064	\$ 700,301
Receivables			
Property tax			
Delinquent	9,078	7,629	9,322
Succeeding year	946,664	922,967	897,153
Rent	431	4,875	4,875
Prepaid expense	5,561	5,561	5,720
Total current assets	1,528,103	1,414,096	1,617,371
Capital Assets, Net	6,456,463	6,176,161	5,657,589
Total assets	<u>\$ 7,984,566</u>	<u>\$ 7,590,257</u>	<u>\$ 7,274,960</u>
Liabilities and Net Assets			
Current Liabilities			
Current maturities of long-term debt	\$ 24,549	\$ 23,325	\$ -
Accounts payable	37,593	24,683	26,842
Construction payable	28,975	14,447	98,973
Deferred revenue	947,214	966,951	897,653
Total current liabilities	1,038,331	1,029,406	1,023,468
Long-Term Debt, Less Current Maturities	64,856	89,405	-
Total liabilities	1,103,187	1,118,811	1,023,468
Net Assets			
Unrestricted	6,881,379	6,471,446	6,251,492
Total liabilities and net assets	<u>\$ 7,984,566</u>	<u>\$ 7,590,257</u>	<u>\$ 7,274,960</u>

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
Management's Discussion and Analysis
June 30, 2011 and 2010

Statements of Revenues, Expenses, and Changes in Net Assets

	Years Ended June 30,		
	2011	2010	2009
Operating Revenues			
Property tax	\$ 925,521	\$ 897,034	\$ 876,681
Rental income	5,166	5,141	5,600
Grant revenue	8,289	-	-
Miscellaneous	18,321	2,246	33,614
Total Operating Revenues	<u>957,297</u>	<u>904,421</u>	<u>915,895</u>
Operating Expenses			
Administration	60,818	19,043	578
Architect and engineer fees	2,456	20,093	8,938
Capital outlay	150	-	-
Computer services	11,433	80,323	1,729
Information systems management	-	42,084	55,212
Depreciation	342,557	312,668	306,579
Insurance	33,429	33,229	28,600
Miscellaneous	176	1,298	1,266
Painting services	465	10,911	17,080
Professional fees	10,125	10,045	9,500
Repairs and maintenance	77,729	111,926	119,850
Supplies and equipment	51,801	44,661	46,180
Training and seminars	500	-	500
Total Operating Expenses	<u>591,639</u>	<u>686,281</u>	<u>596,012</u>
Operating Income	<u>365,658</u>	<u>218,140</u>	<u>319,883</u>
Nonoperating Revenues (Expenses)			
Interest income	4,691	5,532	10,477
Miscellaneous	44,866	-	-
Loss on disposal of equipment	-	-	(379)
Interest expense	(5,282)	(3,718)	-
Net Nonoperating Revenues (Expenses)	<u>44,275</u>	<u>1,814</u>	<u>10,098</u>
Increase in Net Assets	409,933	219,954	329,981
Net Assets, Beginning of Year	<u>6,471,446</u>	<u>6,251,492</u>	<u>5,921,511</u>
Net Assets, End of Year	<u>\$ 6,881,379</u>	<u>\$ 6,471,446</u>	<u>\$ 6,251,492</u>

Long-term Debt

At year-end, the Trustees had \$89,405 in outstanding debt. The loan proceeds were used for a technology project.

Factors Bearing on Financial Future

The Trustees' financial position remained stable 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. They are also researching the possibility of bond financing to accelerate necessary capital improvements. 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 and an aging infrastructure presents the potential for unplanned repairs and replacement of equipment.
- 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 continued improvements over the next fiscal year. Planned projects include Phase 2 of the Sunrise Unit renovation which includes renovation of the main dining room and public areas on 1st floor. Grounds and roadway work, along with erosion mitigation, are ongoing concerns. Over the past two fiscal years, the Board has been setting aside funds for reconstruction of the main road to the facility. 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, 2011 and 2010

	2011	2010
Assets		
Current Assets		
Cash and cash equivalents - Note 2	\$ 566,369	\$ 473,064
Receivables		
Property tax		
Delinquent	9,078	7,629
Succeeding year	946,664	922,967
Rent	431	4,875
Prepaid expense	5,561	5,561
Total current assets	1,528,103	1,414,096
Capital Assets, Net - Note 3	6,456,463	6,176,161
Total assets	\$ 7,984,566	\$ 7,590,257
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt - Note 4	\$ 24,549	\$ 23,325
Accounts payable	37,593	24,683
Construction payable	28,975	14,447
Deferred revenue	947,214	966,951
Total current liabilities	1,038,331	1,029,406
Long-Term Debt, Less Current Maturities - Note 4	64,856	89,405
Total liabilities	1,103,187	1,118,811
Net Assets		
Unrestricted	6,881,379	6,471,446
Total liabilities and net assets	\$ 7,984,566	\$ 7,590,257

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
 Statements of Revenues, Expenses, and Changes in Net Assets
 Years Ended June 30, 2011 and 2010

	2011	2010
Operating Revenues		
Property tax	\$ 925,521	\$ 897,034
Rental income	5,166	5,141
Grant revenue	8,289	-
Miscellaneous	18,321	2,246
	957,297	904,421
Operating Expenses		
Administration	60,818	19,043
Architect and engineer fees	2,456	20,093
Capital outlay	150	-
Computer services	11,433	80,323
Information systems management	-	42,084
Depreciation	342,557	312,668
Insurance	33,429	33,229
Miscellaneous	176	1,298
Painting services	465	10,911
Professional fees	10,125	10,045
Repairs and maintenance	77,729	111,926
Supplies and equipment	51,801	44,661
Training and seminars	500	-
	591,639	686,281
Total Operating Expenses		
	365,658	218,140
Operating Income		
	365,658	218,140
Nonoperating Revenues (Expenses)		
Interest income	4,691	5,532
Miscellaneous	44,866	-
Interest expense	(5,282)	(3,718)
	44,275	1,814
Net Nonoperating Revenues (Expenses)		
	44,275	1,814
Increase in Net Assets	409,933	219,954
Net Assets, Beginning of Year	6,471,446	6,251,492
Net Assets, End of Year	\$ 6,881,379	\$ 6,471,446

Dubuque County Hospital at Sunnycrest Manor Board of Trustees

Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Receipts of property tax revenues	\$ 880,638	\$ 942,211
Payments of services and other expenses	(221,644)	(460,139)
Other receipts	36,220	7,387
Net Cash Provided by Operating Activities	695,214	489,459
Cash Flows from Capital and Related Financing Activities		
Purchase of property and equipment	(622,859)	(831,240)
Payments on long-term debt	(23,325)	(12,970)
Proceeds from insurance on property and equipment	44,866	-
Proceeds from issuance of long-term debt	-	125,700
Interest payments on long-term debt	(5,282)	(3,718)
Net Cash used for Capital and Related Financing Activities	(606,600)	(722,228)
Cash Flows from Investing Activities		
Investment income	4,691	5,532
Net Increase (Decrease) in Cash and Cash Equivalents	93,305	(227,237)
Cash and Cash Equivalents at Beginning of Year	473,064	700,301
Cash and Cash Equivalents at End of Year	\$ 566,369	\$ 473,064
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 365,658	\$ 218,140
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	342,557	312,668
Changes in assets and liabilities		
Delinquent property taxes	(1,449)	1,693
Succeeding year property taxes	(23,697)	(25,814)
Rent receivable	4,444	-
Prepaid expense	-	159
Accounts payable	12,910	(2,159)
Construction payable	14,528	(84,526)
Deferred revenue	(19,737)	69,298
Net Cash Provided by Operating Activities	\$ 695,214	\$ 489,459

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

The purpose of the Dubuque County Hospital at Sunnycrest Manor Board of Trustees (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 long-term care facility operated under Iowa Code Section 347B.

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

The Board of Trustees uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Codification Topic 1600, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Board of Trustees has elected not to apply provisions of any pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

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 Trustees 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 Trustees 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.

Capital Assets

Capital asset acquisitions in excess of \$5,000 are capitalized and are recorded at cost. Capital assets 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. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. 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

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 which 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 Board of Trustees' statement of revenues, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from 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. Interest income and interest expense are reported as nonoperating revenues and expenses.

Investment Income

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

Reclassifications

Certain items from the 2010 financial statements have been reclassified to conform to the current year presentation. The reclassification had no impact on increase in net assets.

Subsequent Events

The Board of Trustees has evaluated subsequent events through September 15, 2011, the date which the financial statements were available to be issued.

Note 2 - Cash and Cash Equivalents

At June 30, 2011, the Board of Trustees' cash and deposits in banks were 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 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.

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
Notes to Financial Statements
June 30, 2011 and 2010

Note 3 - Capital Assets

Capital assets activity for the years ended June 30, 2011 and 2010, was as follows:

	June 30, 2010 Balance	Additions	Deductions	Transfers	June 30, 2011 Balance
Capital Assets Not Being Depreciated					
Land	\$ 6,000	\$ -	\$ -	\$ -	\$ 6,000
Construction in progress	479,928	487,438	-	(891,570)	75,796
Total capital assets not being depreciated	<u>485,928</u>	<u>487,438</u>	<u>-</u>	<u>(891,570)</u>	<u>81,796</u>
Capital Assets Being Depreciated					
Buildings	8,974,265	68,736	-	891,570	9,934,571
Fixed equipment	1,651,776	66,685	-	-	1,718,461
Vehicles	60,008	-	-	-	60,008
Total capital assets being depreciated	<u>10,686,049</u>	<u>135,421</u>	<u>-</u>	<u>891,570</u>	<u>11,713,040</u>
Less Accumulated Depreciation for:					
Buildings	3,637,095	259,960	-	-	3,897,055
Fixed equipment	1,298,713	82,597	-	-	1,381,310
Vehicles	60,008	-	-	-	60,008
Total accumulated depreciation	<u>4,995,816</u>	<u>342,557</u>	<u>-</u>	<u>-</u>	<u>5,338,373</u>
Total Capital Assets Being Depreciated, Net	<u>5,690,233</u>	<u>(207,136)</u>	<u>-</u>	<u>891,570</u>	<u>6,374,667</u>
Total Capital Assets, Net	<u>\$ 6,176,161</u>	<u>\$ 280,302</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,456,463</u>

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
Notes to Financial Statements
June 30, 2011 and 2010

	June 30, 2009 <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	June 30, 2010 <u>Balance</u>
Capital Assets Not Being Depreciated					
Land	\$ 6,000	\$ -	\$ -	\$ -	\$ 6,000
Construction in progress	<u>506,868</u>	<u>410,454</u>	<u>-</u>	<u>(437,394)</u>	<u>479,928</u>
Total capital assets not being depreciated	<u>512,868</u>	<u>410,454</u>	<u>-</u>	<u>(437,394)</u>	<u>485,928</u>
Capital Assets Being Depreciated					
Buildings	8,195,497	341,374	-	437,394	8,974,265
Fixed equipment	1,573,822	79,412	1,458	-	1,651,776
Vehicles	<u>60,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,008</u>
Total capital assets being depreciated	<u>9,829,327</u>	<u>420,786</u>	<u>1,458</u>	<u>437,394</u>	<u>10,686,049</u>
Less Accumulated Depreciation for:					
Buildings	3,396,306	240,789	-	-	3,637,095
Fixed equipment	1,228,292	71,879	1,458	-	1,298,713
Vehicles	<u>60,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,008</u>
Total accumulated depreciation	<u>4,684,606</u>	<u>312,668</u>	<u>1,458</u>	<u>-</u>	<u>4,995,816</u>
Total Capital Assets Being Depreciated, Net	<u>5,144,721</u>	<u>108,118</u>	<u>-</u>	<u>437,394</u>	<u>5,690,233</u>
Total Capital Assets, Net	<u>\$ 5,657,589</u>	<u>\$ 518,572</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,176,161</u>

Construction in progress at June 30, 2011, includes costs incurred related to the nurse call system as part of the Sunrise Remodel project. The total cost of completing this project is estimated at approximately \$62,000. The project is expected to be completed by October 2012. The Board of Trustees is using current assets to fund this project.

Construction in progress at June 30, 2011, also includes engineering fees and construction costs related to Phase 2 of the Sunrise Remodel project. The total cost of completing the remodeling is estimated at approximately \$1,181,000. The project is expected to be completed by October 2012. The Board of Trustees is using current assets to fund this project.

The balance of construction in progress also includes engineering and construction costs related to rebuilding a retaining wall which was destroyed by flooding. The total cost of completing the project is estimated at approximately \$24,000. The project is expected to be completed by December 2012. The Board of Trustees is using current assets to fund this project.

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
Notes to Financial Statements
June 30, 2011 and 2010

Note 4 - Long-Term Debt

A summary of changes in long-term debt for the years ended June 30, 2011 and 2010, is as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Note Payable, 5.10%, Due in Monthly Payments of \$2,384, Including Interest, to November 2014, Secured by Equipment	\$ 112,730	\$ -	\$ 23,325	\$ 89,405	\$ 24,549
Less current maturities				(24,549)	
Long-term debt, less current maturities				<u>\$ 64,856</u>	

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Note Payable, 5.10%, Due in Monthly Payments of \$2,384, Including Interest, to November 2014, Secured by Equipment	\$ -	\$ 125,700	\$ 12,970	\$ 112,730	\$ 23,325
Less current maturities				(23,325)	
Long-term debt, less current maturities				<u>\$ 89,405</u>	

Long-term debt requirements to maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 24,549	\$ 4,058	\$ 28,607
2013	25,860	2,748	28,608
2014	27,229	1,378	28,607
2015	11,767	153	11,920
	<u>\$ 89,405</u>	<u>\$ 8,337</u>	<u>\$ 97,742</u>

Note 5 - Related Party Transactions

As discussed in Note 1, 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 was 10 years in which rent of \$10 is due at the beginning of each year. The original lease has expired during the year and the lease will automatically renew annually until terminated by giving six months notice by either party to the other.

Note 6 - 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.

Note 7 - 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 Accounting Standards Codification Topic 410-20, Asset Retirement Obligations, this situation creates a future asset retirement obligation. 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 accrue an asset retirement obligation 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.



Required Supplementary Information
June 30, 2011 and 2010

Dubuque County Hospital at Sunnycrest Manor Board of Trustees

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)
Required Supplementary Information
Year Ended June 30, 2011

	<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	\$ 925,521	\$ (1,449)	\$ 924,072	\$ 897,959	\$ 26,113
Estimated Other Revenues/Receipts	<u>81,333</u>	<u>(38,314)</u>	<u>43,019</u>	<u>35,108</u>	<u>7,911</u>
	1,006,854	(39,763)	967,091	933,067	34,024
Expenses/Disbursements	<u>596,921</u>	<u>276,865</u>	<u>873,786</u>	<u>1,080,467</u>	<u>206,681</u>
Net	409,933	(316,628)	93,305	(147,400)	<u>\$ 240,705</u>
Balance, Beginning of Year	<u>6,471,446</u>	<u>(5,998,382)</u>	<u>473,064</u>	<u>347,400</u>	
Balance, End of Year	<u>\$ 6,881,379</u>	<u>\$ (6,315,010)</u>	<u>\$ 566,369</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, 2011

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, 2011.

For the year ended June 30, 2011, the Board of Trustees' expenditures did not exceed the amount budgeted.



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 sheet of Dubuque County Hospital at Sunnycrest Manor Board of Trustees as of June 30, 2011, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended and have issued our report thereon dated September 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Board of Trustees' financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items I-A-11 and I-B-11 to be 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*.

Comments involving statutory and other legal matters about the Board of Trustees' operations for the year ended June 30, 2011, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Board of Trustees and are reported in Part II of accompanying Schedule of Findings and Responses. 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.

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.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Dubuque, Iowa
September 15, 2011

Part I: Findings Related to the Financial Statements

Internal Control Deficiencies

I-A-11 Material Weakness – 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 control 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: 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.

Effect: The effect of this condition is that the year-end 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 enable staff 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-11 Material Weakness – 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.

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 capital assets, depreciation expense, deferred revenue, accounts payable, and technology loan payments.

Cause: Financial statement information is maintained on the cash basis for budgetary purposes and converted to accrual basis at year end for the audit report.

Effect: 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-11 Certified Budget** – Disbursements during the year ended June 30, 2011, did not exceed the amount budgeted.
- II-B-11 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-11 Travel Expense** – No expenditures of Board of Trustees money for travel expenses of spouses of Board of Trustees officials were noted.
- II-D-11 Business Transactions** – We noted no business transactions between the Board of Trustees and Board of Trustees officials.
- II-E-11 Bond Coverage** – Surety bond coverage of Board of Trustees' employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- II-F-11 Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.

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

II-G-11 Deposits – No instances of non-compliance with the deposit provisions of Chapter 12C of the Code of Iowa were noted.



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, 2011, and have issued our report thereon dated September 15, 2011. 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 July 6, 2011. 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, 2011. 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. The most sensitive estimate affecting the financial statements relates to depreciation expense.

Management's estimate of depreciation expense is based on the estimated useful lives assigned using industry recommended averages and historical experience. Depreciation is calculated using the straight-line method. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

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 greater than \$10,000, some of which are considered material, were made during the fiscal year 2011 audit:

To record capital asset additions	\$	104,017
To record depreciation		(342,557)
To record insurance proceeds as deferred revenue		43,484
To record technology loan payments		(23,395)

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 September 15, 2011.

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 Board of Trustees' 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 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 Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Matters

Following are additional comments for informational purposes only:

Accounting for Leases

On August 17, 2010, the Financial Accounting Standards Board (FASB) issued proposed accounting standards update 1850-100, *Leases*. This proposal has been discussed over the last several years and seeks to change the way in which substantially all leases are reflected in financial statements. Under the guidance in the proposed standard, the lessee would recognize an asset representing its right to use the leased ('underlying') asset for the lease term (the 'right-of-use' asset) and a liability to make lease payments. Substantially all leases currently considered operating leases would now be recognized on the balance sheet. Assets and liabilities recognized by lessees and lessors would be measured on a basis that:

- a) Assumes the longest possible lease term that is more likely than not to occur, taking into account the effect of any options to extend or terminate the lease.
- b) Uses an expected outcome technique to reflect the lease payments, including contingent rentals and expected payments under term option penalties and residual value guarantees, specified by the lease.
- c) Is updated when changes in facts or circumstances indicate that there would be a significant change in those assets or liabilities since the previous reporting period.

We recommend that you review the proposed guidance and consider responding to the questions included in the proposed standard if these changes are of concern.

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.



Dubuque, Iowa
September 15, 2011