



Financial Statements
June 30, 2013 and 2012

Dubuque County Hospital at Sunnycrest Manor Board of Trustees

Dubuque County Hospital at Sunnycrest Manor Board of Trustees

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June 30, 2013 and 2012

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Dubuque County Hospital at Sunnycrest Manor Board of Trustees

Board of Trustees
June 30, 2013 and 2012

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sheila Frank	Chairperson	12/31/2014
Nancy Webster	Secretary	12/31/2016
Mary Kathryn O'Neill	Treasurer	12/31/2014
Paul Meyers	Member	12/31/2014
Michael Muir	Member	12/31/2016
Kevin Stevens	Member	12/31/2018
Leo Kennedy	Member	12/31/2018



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Dubuque County Hospital at Sunnycrest Manor Board of Trustees (Board of Trustees) as of June 30, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board of Trustees, as of June 30, 2013 and 2012, and the results of its operations, changes in its financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-8 and the Budgetary Comparison Information on pages 20 and 21 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.

Other Information

The list of Board of Trustee members on page 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 18, 2013 on our consideration of the Board of Trustee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 reports is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Board of Trustee's internal control over financial reporting and compliance.



Dubuque, Iowa
September 18, 2013

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, 2013, 2012, and 2011. We encourage readers to consider this information in conjunction with the financial statements in this report.

Overview of the Financial Statements

The 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 statements of net position provide information about the nature and amounts of the Trustees' assets and liabilities. The balance sheets at June 30, 2013 and 2012, report total assets of \$8,737,624 and \$8,424,488, total liabilities of \$1,127,462 and \$1,237,630, and net position of \$7,610,162 and \$7,186,858, respectively.

The statements of revenues, expenses, and changes in net position provide information on the Trustees' revenues and expenses. These statements indicate total operating revenues of \$1,029,304 and \$965,561, and total operating expenses of \$604,264 and \$660,008 during the years ended June 30, 2013 and 2012, respectively. The operating income was \$425,040 in 2013 and \$305,553 in 2012.

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

Financial Highlights

- The Trustees' total assets increased from \$8,424,488 in 2012 to \$8,737,624 in 2013, or 3.7%. A significant portion of this increase represents an increase in capital building improvements.
- The Trustees' assets exceeded liabilities by \$7,610,162 and \$7,186,858 at June 30, 2013 and 2012, respectively.
- The Trustees' total operating revenues were \$1,029,304 in 2013 and \$965,561 in 2012, while the operating expenses were \$604,264 in 2013 and \$660,008 in 2012. The Trustees had income from operations of \$425,040 in 2013 and \$305,553 in 2012, which is 41.29% and 31.6% of total operating revenues, respectively.
- The Trustees made capital building improvements totaling \$590,877 during the period. The source of funding for the various projects completed this fiscal year was derived from tax revenues. Renovation of the North Wing 1968 addition of the facility continued, with completion of the Sunrise Unit Phase 2C and 2D, which includes renovation of the main dining room and public areas on the 1st floor.

Using this Annual Report

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Board of Trustees' financial activities.

- The basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows. These statements provide information about the activities of the Board of Trustees, on a comparative basis.
- Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with comparison to the Board of Trustees' budget for the year.

Reporting the Trustees' Financial Activities

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about the Board of Trustees' finances is "Is the Organization as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Board of Trustees' resources and its activities in a way which helps answer this question. These statements include all assets and all liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Board of Trustees' net position, which is the difference between assets and liabilities, as one way to measure the Board of Trustees' financial health or financial position. Over time, increases or decreases in the Board of Trustees' net position are one indicator of whether its legislation and regulations, measures of the quantity and quality of services provided, and local economic conditions, are also important in making this determination.

The Statement of Cash Flows

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
Management's Discussion and Analysis
June 30, 2013 and 2012

<i>Statements of Net Position</i>	June 30, 2013	June 30, 2012	June 30, 2011
Assets			
Current Assets			
Cash and cash equivalents	\$ 343,956	\$ 271,558	\$ 566,369
Receivables			
Property tax			
Delinquent	6,745	6,711	9,078
Succeeding year	1,058,403	1,023,886	946,664
Rent	431	431	431
Prepaid expense	8,911	20,236	5,561
Certificate of deposit	40,422	40,000	-
Total current assets	1,458,868	1,362,822	1,528,103
Capital Assets, Net	7,278,756	7,061,666	6,456,463
Total assets	<u>\$ 8,737,624</u>	<u>\$ 8,424,488</u>	<u>\$ 7,984,566</u>
Liabilities and Net Assets			
Current Liabilities			
Current maturities of long-term debt	\$ 34,105	\$ 25,860	\$ 24,549
Accounts payable	11,177	26,517	37,593
Construction payable	-	121,821	28,975
Deferred revenue	1,058,953	1,024,436	947,214
Total current liabilities	1,104,235	1,198,634	1,038,331
Long-Term Debt, Less Current Maturities	23,227	38,996	64,856
Total liabilities	1,127,462	1,237,630	1,103,187
Net Position			
Net investment in capital assets	7,221,424	6,996,810	6,367,058
Unrestricted	388,738	190,048	514,321
Total liabilities and net position	<u>\$ 8,737,624</u>	<u>\$ 8,424,488</u>	<u>\$ 7,984,566</u>

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
Management's Discussion and Analysis
June 30, 2013 and 2012

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,		
	2013	2012	2011
Operating Revenues			
Property tax	\$ 1,023,469	\$ 947,502	\$ 925,521
Rental income	5,835	5,835	5,166
Grant revenue	-	11,826	8,289
Miscellaneous	-	398	63,187
Total Operating Revenues	<u>1,029,304</u>	<u>965,561</u>	<u>1,002,163</u>
Operating Expenses			
Administration	61,944	61,700	60,818
Architect and engineer fees	5,231	3,544	2,456
Capital outlay	8,646	20,947	150
Computer services	13,823	4,431	11,433
Depreciation	373,787	371,073	342,557
Insurance	30,660	33,492	33,429
Miscellaneous	-	96	176
Painting services	-	5,134	465
Professional fees	10,935	10,425	10,125
Repairs and maintenance	68,655	92,520	77,729
Supplies and equipment	30,583	56,646	51,801
Training and seminars	-	-	500
Total Operating Expenses	<u>604,264</u>	<u>660,008</u>	<u>591,639</u>
Operating Income	<u>425,040</u>	<u>305,553</u>	<u>410,524</u>
Nonoperating Revenues (Expenses)			
Interest income	1,012	1,509	4,691
Miscellaneous	-	2,475	-
Interest expense	(2,748)	(4,058)	(5,282)
Net Nonoperating Revenues (Expenses)	<u>(1,736)</u>	<u>(74)</u>	<u>(591)</u>
Change in Net Position	423,304	305,479	409,933
Net Position, Beginning of Year	<u>7,186,858</u>	<u>6,881,379</u>	<u>6,471,446</u>
Net Position, End of Year	<u>\$ 7,610,162</u>	<u>\$ 7,186,858</u>	<u>\$ 6,881,379</u>

Capital Assets

At June 30, 2013, the Board of Trustees' had \$7,278,756 invested in capital assets, net of accumulated depreciation/amortization, as detailed in Note 3 to the financial statements. In fiscal year 2013, the Board of Trustees' acquired or constructed capital assets costing \$590,877.

At June 30, 2012, the Board of Trustees' had \$7,061,666 invested in capital assets, net of accumulated depreciation/amortization, as detailed in Note 3 to the financial statements. In fiscal year 2012, the Board of Trustees' acquired or constructed capital assets costing \$976,276.

Long-term Debt

At year-end, the Trustees had \$57,332 in outstanding debt. The loan proceeds were used for technology projects.

Economic and Other 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 reconstruction of the main road to the facility. Grounds and roadway work, along with erosion mitigation, are ongoing concerns. 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 the 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
 Statements of Net Position
 June 30, 2013 and 2012

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents - Note 2	\$ 343,956	\$ 271,558
Receivables		
Property tax		
Delinquent	6,745	6,711
Succeeding year	1,058,403	1,023,886
Rent	431	431
Prepaid expense	8,911	20,236
Certificate of deposit	40,422	40,000
	1,458,868	1,362,822
Capital Assets		
Capital assets not being depreciated	25,784	920,580
Depreciable capital assets, net of accumulated depreciation	7,252,972	6,141,086
Total capital assets, net - Note 3	7,278,756	7,061,666
Total assets	\$ 8,737,624	\$ 8,424,488
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt - Note 5	\$ 34,105	\$ 25,860
Accounts payable	11,177	26,517
Construction payable	-	121,821
Deferred revenue	1,058,953	1,024,436
	1,104,235	1,198,634
Long-Term Debt, Less Current Maturities - Note 5	23,227	38,996
Total liabilities	1,127,462	1,237,630
Net Position		
Net investment in capital assets	7,221,424	6,996,810
Unrestricted	388,738	190,048
Total net position	7,610,162	7,186,858
Total liabilities and net position	\$ 8,737,624	\$ 8,424,488

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
 Statements of Revenues, Expenses, and Changes in Net Position
 Years Ended June 30, 2013 and 2012

	2013	2012
Operating Revenues		
Property tax	\$ 1,023,469	\$ 947,502
Rental income	5,835	5,835
Grant revenue	-	11,826
Miscellaneous	-	398
	1,029,304	965,561
Operating Expenses		
Administration	61,944	61,700
Architect and engineer fees	5,231	3,544
Capital outlay	8,646	20,947
Computer services	13,823	4,431
Depreciation	373,787	371,073
Insurance	30,660	33,492
Miscellaneous	-	96
Painting services	-	5,134
Professional fees	10,935	10,425
Repairs and maintenance	68,655	92,520
Supplies and equipment	30,583	56,646
	604,264	660,008
Operating Income	425,040	305,553
Nonoperating Revenues (Expenses)		
Interest income	1,012	1,509
Miscellaneous	-	2,475
Interest expense	(2,748)	(4,058)
	(1,736)	(74)
Net Nonoperating Revenues (Expenses)	(1,736)	(74)
Change in Net Position	423,304	305,479
Net Position, Beginning of Year	7,186,858	6,881,379
Net Position, End of Year	\$ 7,610,162	\$ 7,186,858

Dubuque County Hospital at Sunnycrest Manor Board of Trustees

Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Receipts of property tax revenues	\$ 1,023,435	\$ 949,869
Payments of services and other expenses	(356,313)	(221,840)
Other receipts	5,835	18,059
Net Cash and Cash Equivalents provided by Operating Activities	<u>672,957</u>	<u>746,088</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(570,249)	(976,276)
Payments on long-term debt	(28,152)	(24,549)
Proceeds from insurance on capital assets	-	2,475
Interest payments on long-term debt	(2,748)	(4,058)
Net Cash used for Capital and Related Financing Activities	<u>(601,149)</u>	<u>(1,002,408)</u>
Cash Flows from Investing Activities		
Purchase of certificate of deposit	(422)	(40,000)
Interest income	1,012	1,509
Net Cash provided by (used for) Investing Activities	<u>590</u>	<u>(38,491)</u>
Change in Cash and Cash Equivalents	72,398	(294,811)
Cash and Cash Equivalents at Beginning of Year	<u>271,558</u>	<u>566,369</u>
Cash and Cash Equivalents at End of Year	<u>\$ 343,956</u>	<u>\$ 271,558</u>
Reconciliation of Operating Income to Net Cash provided by Operating Activities		
Operating income	\$ 425,040	\$ 305,553
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	373,787	371,073
Changes in assets and liabilities		
Delinquent property taxes	(34)	2,367
Succeeding year property taxes	(34,517)	(77,222)
Prepaid expense	11,325	(14,675)
Accounts payable	(15,340)	(11,076)
Construction payable	(121,821)	92,846
Deferred revenue	34,517	77,222
Net Cash provided by Operating Activities	<u>\$ 672,957</u>	<u>\$ 746,088</u>
Supplemental Disclosure of Non-cash Investing and Financing Activity		
Equipment financed through capital lease arrangements	<u>\$ 20,628</u>	<u>\$ -</u>

Note 1 - Organization and 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 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.

Cash and Cash Equivalents

The Board of Trustees considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, permanent endowment, or other long-term purposes of the Organization are excluded from this definition.

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 position 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

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair value in the balance sheet. Interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees are reported separately on the statement of operations.

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.

Net Position

The Statement of Net Position displays the entity's assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

Net Investment in Capital Assets – Net position consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position:

Nonexpendable – Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Board of Trustees.

Expendable – Expendable net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – Net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When both restricted and unrestricted net position is available for use, generally it is the Trustee's policy to use restricted net position first.

Operating Revenues and Expenses

The Board of Trustees' Statement of Revenues, Expenses, and Changes in Net Position distinguishes between operating and nonoperating revenues and expenses. Due to the nature of the entity, property taxes are reported as operating revenues. Other operating revenues result from exchange transactions associated with collecting 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.

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 at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification has no impact on previously reported net position.

Note 2 - Cash and Cash Equivalents

At June 30, 2013 and 2012, 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, 2013 and 2012

Note 3 - Capital Assets

Capital assets activity for the years ended June 30, 2013 and 2012, was as follows:

	June 30, 2012 Balance	Additions	Deductions	Transfers	June 30, 2013 Balance
Capital Assets Not Being Depreciated:					
Land	\$ 6,000	\$ -	\$ -	\$ -	\$ 6,000
Construction in progress	914,580	-	-	(894,796)	19,784
Total capital assets not being depreciated	<u>920,580</u>	<u>-</u>	<u>-</u>	<u>(894,796)</u>	<u>25,784</u>
Capital Assets Being Depreciated:					
Buildings	9,934,571	374,440	-	894,796	11,203,807
Fixed equipment	1,773,133	216,437	-	-	1,989,570
Leasehold improvements	82,820	-	-	-	82,820
Vehicles	60,008	-	-	-	60,008
Total capital assets being depreciated	<u>11,850,532</u>	<u>590,877</u>	<u>-</u>	<u>894,796</u>	<u>13,336,205</u>
Less Accumulated Depreciation for:					
Buildings	4,180,860	286,922	-	-	4,467,782
Fixed equipment	1,468,578	86,865	-	-	1,555,443
Vehicles	60,008	-	-	-	60,008
Total accumulated depreciation	<u>5,709,446</u>	<u>373,787</u>	<u>-</u>	<u>-</u>	<u>6,083,233</u>
Total Capital Assets Being Depreciated, Net	<u>6,141,086</u>	<u>217,090</u>	<u>-</u>	<u>894,796</u>	<u>7,252,972</u>
Total Capital Assets, Net	<u>\$ 7,061,666</u>	<u>\$ 217,090</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,278,756</u>

Construction in progress at June 30, 2013 includes engineering fees related to the Road Reconstruction project. The total estimated additional cost to complete the reconstruction is approximately \$1,060,000. The project is expected to be completed by June 2016. 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, 2013 and 2012

	June 30, 2011				June 30, 2012
	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance</u>
Capital Assets Not Being Depreciated:					
Land	\$ 6,000	\$ -	\$ -	\$ -	\$ 6,000
Construction in progress	<u>75,796</u>	<u>921,604</u>	<u>-</u>	<u>(82,820)</u>	<u>914,580</u>
Total capital assets not being depreciated	<u>81,796</u>	<u>921,604</u>	<u>-</u>	<u>(82,820)</u>	<u>920,580</u>
Capital Assets Being Depreciated:					
Buildings	9,934,571	-	-	-	9,934,571
Fixed equipment	1,718,461	54,672	-	-	1,773,133
Leasehold improvements	-	-	-	82,820	82,820
Vehicles	<u>60,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,008</u>
Total capital assets being depreciated	<u>11,713,040</u>	<u>54,672</u>	<u>-</u>	<u>82,820</u>	<u>11,850,532</u>
Less Accumulated Depreciation for:					
Buildings	3,897,055	283,805	-	-	4,180,860
Fixed equipment	1,381,310	87,268	-	-	1,468,578
Vehicles	<u>60,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,008</u>
Total accumulated depreciation	<u>5,338,373</u>	<u>371,073</u>	<u>-</u>	<u>-</u>	<u>5,709,446</u>
Total Capital Assets Being Depreciated, Net	<u>6,374,667</u>	<u>(316,401)</u>	<u>-</u>	<u>82,820</u>	<u>6,141,086</u>
Total Capital Assets, Net	<u>\$ 6,456,463</u>	<u>\$ 605,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,061,666</u>

Note 4 - Leases

The Board of Trustees leases certain equipment under noncancelable long-term lease agreements. Certain leases have been recorded as capitalized leases. The capitalized leased assets as of June 30, 2013 and 2012 consist of:

	<u>2013</u>	<u>2012</u>
Fixed Equipment	\$ 20,628	\$ -
Less accumulated amortization	<u>(1,375)</u>	<u>-</u>
	<u>\$ 19,253</u>	<u>\$ -</u>

Dubuque County Hospital at Sunnycrest Manor Board of Trustees

Notes to Financial Statements

June 30, 2013 and 2012

Minimum future lease payments for noncancelable capital leases as of June 30, 2013 are as follows:

Year Ending June 30,	Capital Leases
2014	\$ 6,876
2015	6,876
2016	4,584
Total Minimum Lease Payments	18,336
Less interest	-
Present Value of Minimum Lease Payments - Note 5	\$ 18,336

Note 5 - Long-Term Debt

A schedule of changes in long-term debt for the years ended June 30, 2013 and 2012, is as follows:

	Balance June 30, 2012	Additions	Payments	Balance June 30, 2013	Amounts Due Within One Year
Note Payable, 5.10%, Due in Monthly Payments of \$2,384, Including Interest, to November 2014, Secured by Equipment	\$ 64,856	\$ -	\$ 25,860	\$ 38,996	\$ -
Capitalized Lease Obligations - Note 4	-	20,628	2,292	18,336	34,105
	\$ 64,856	\$ 20,628	\$ 28,152	57,332	\$ 34,105
Less current maturities				(34,105)	
Long-term debt, less current maturities				\$ 23,227	
	Balance June 30, 2011	Additions	Payments	Balance June 30, 2012	Amounts Due Within One Year
Note Payable, 5.10%, Due in Monthly Payments of \$2,384, Including Interest, to November 2014, Secured by Equipment	\$ 89,405	\$ -	\$ 24,549	\$ 64,856	\$ 25,860
Less current maturities				(25,860)	
Long-term debt, less current maturities				\$ 38,996	

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
Notes to Financial Statements
June 30, 2013 and 2012

Long-term debt requirements to maturities are as follows:

Year Ending June 30,	Principal	Interest
2014	\$ 34,105	\$ 1,378
2015	18,643	153
2016	4,584	-
	\$ 57,332	\$ 1,531

Note 6 - 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 and the lease will automatically renew annually until terminated by giving six months' notice by either party to the other.

Note 7 - Risk Management

The 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. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.



Required Supplementary Information
June 30, 2013

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 Position –
Budget and Actual (Cash Basis)
Required Supplementary Information
Year Ended June 30, 2013

	<u>Accrual Basis</u>	<u>Accrual Adjustments</u>	<u>Actual Cash Basis</u>	<u>Original and Amended Budget</u>	<u>Final to Actual Cash Basis Variance</u>
Estimated Amount to be Raised by Taxation	\$ 1,023,469	\$ (34)	\$ 1,023,435	\$ 1,022,476	\$ 959
Estimated Other Revenues/Receipts	<u>6,847</u>	<u>-</u>	<u>6,847</u>	<u>7,835</u>	<u>(988)</u>
	1,030,316	(34)	1,030,282	1,030,311	(29)
Expenses/Disbursements	<u>607,012</u>	<u>350,450</u>	<u>957,462</u>	<u>1,031,275</u>	<u>73,813</u>
Net	423,304	(350,484)	72,820	(964)	<u>\$ 73,784</u>
Balance, Beginning of Year	<u>7,186,858</u>	<u>(6,875,300)</u>	<u>311,558</u>	<u>140,964</u>	
Balance, End of Year	<u>\$ 7,610,162</u>	<u>\$ (7,225,784)</u>	<u>\$ 384,378</u>	<u>\$ 140,000</u>	

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2013

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, 2013.

For the year ended June 30, 2013, the Board of Trustees' expenditures did not exceed the amount budgeted.



**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

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

We have audited 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, the financial statements of Dubuque County Hospital at Sunnycrest Manor Board of Trustees as of and for the year ended June 30, 2013 and the related notes to the financial statements, and have issued our report thereon dated September 18, 2013.

Internal Control over Financial Reporting

The Dubuque County Hospital at Sunnycrest Manor Board of Trustees is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the Board of Trustees' internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 described in the accompanying Schedule of Findings and Responses as items I-A-13 and I-B-13 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Board of Trustees' operations for the year ended June 30, 2013, 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.

Board of Trustees' Responses to Findings

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.

Purpose of this Report

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



Dubuque, Iowa
September 18, 2013

Part I: Findings Related to the Financial Statements

Material Weaknesses

I-A-13 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.

I-B-13 General Ledger Reconciliation

Criteria: A properly designed system of internal control over financial reporting allows entities to initiate, authorize, record, process and report financial data reliably in accordance with generally accepted accounting principles.

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

Condition: During the course of our engagement, we identified certain general ledger accounts that were not reconciled. In addition, there is no formal management review or approval process for reconciliations.

Cause: Due to limited staff, the reconciliation of the Board of Trustees' general ledger is difficult.

Effect: The effect of this condition is that interim financial data is not maintained in accordance with generally accepted accounting principles.

Recommendation: We recommend that Board of Trustees' officials review the operating procedures and implement processes to ensure the Board of Trustees' general ledger is properly reconciled on an interim basis.

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 year end accrual adjustments.

Part II: Other Findings Related to Required Statutory Reporting

- II-A-13** **Certified Budget** – Disbursements during the year ended June 30, 2013, did not exceed the amended amount budgeted.
- II-B-13** **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-13** **Travel Expense** – No expenditures of the Board of Trustees' money for travel expenses of spouses of Board of Trustees officials were noted.
- II-D-13** **Business Transactions** – We noted no business transactions between the Board of Trustees and Board of Trustees officials.
- II-E-13** **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-13** **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-13** **Deposits** – No instances of noncompliance with the deposit provisions of Chapter 12C of the Code of Iowa were noted.

September 18, 2013

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, 2013. 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 to you dated May 13, 2013. 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 significant accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2013. 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 financial statement disclosures are neutral, consistent, and clear.

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 misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following adjustments greater than \$10,000 were related to misstatements during the fiscal year 2013 audit:

To record prepaid expense	\$	(11,325)
To record technology loan payments		25,860

In addition, the following balance sheet activity was detected as a result of our audit procedures and has been corrected by management:

Vendor invoices which weren't paid until July were not posted in the appropriate period. An entry of \$11,750 was necessary to record this transaction as cash and accounts payable at year-end. There was no income effect relating to these entries.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 18, 2013.

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.

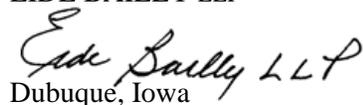
Other Audit Findings or Issues

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.

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.

Very truly yours,

EIDE BAILLY LLP


Dubuque, Iowa