



Financial Statements
June 30, 2014 and 2013

Dubuque County Hospital at Sunnycrest Manor Board of Trustees

Dubuque County Hospital at Sunnycrest Manor Board of Trustees

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June 30, 2014 and 2013

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Dubuque County Hospital at Sunnycrest Manor Board of Trustees

Board of Trustees
June 30, 2014 and 2013

<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, 2014 and 2013, 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 Board of Trustees' 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 Board of Trustees' 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, 2014 and 2013, 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.

Emphasis of Matter

During the year ended June 30, 2014, the Board of Trustees adopted GASB 65, *Items Previously Reported as Assets and Liabilities*. The adoption of this statement resulted in the reclassification of items previously reported in liabilities as deferred revenues. These items are now reported in deferred inflows of resources as unavailable revenues. Our opinion is not modified with respect to this matter.

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 the Board of Trustees 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 January 21, 2015 on our consideration of the Board of Trustees' 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 the Board of Trustees' internal control over financial reporting and compliance.



Dubuque, Iowa
January 21, 2015

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, 2014, 2013, and 2012. 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, liabilities, and deferred inflows of resources. The statements of net position at June 30, 2014 and 2013 report total assets of \$9,182,776 and \$8,737,624, total liabilities of \$85,090 and \$69,059, total deferred inflows of resources of \$1,097,160 and \$1,058,403, and net position of \$8,000,526 and \$7,610,162.

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 \$1,098,714 and \$1,029,304, and total operating expenses of \$706,806 and \$604,264 during the years ended June 30, 2014 and 2013. The operating income was \$391,908 in 2014 and \$425,040 in 2013.

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 \$8,737,624 in 2013 to \$9,182,776 in 2014, or 5.09%. A significant portion of this increase represents an increase in capital building improvements.
- The Trustees' assets exceeded liabilities and deferred inflows of resources by \$8,000,526 and \$7,610,162 at June 30, 2014 and 2013.
- The Trustees' total operating revenues were \$1,098,714 in 2014 and \$1,029,304 in 2013, while the operating expenses were \$706,806 in 2014 and \$604,264 in 2013. The Trustees had income from operations of \$391,908 in 2014 and \$425,040 in 2013, which is 35.67% and 41.29% of total operating revenues.
- The Trustees made capital building improvements totaling \$267,015 during the period. The source of funding for the various projects completed this fiscal year was derived from tax revenues. Renovation of the 3rd Floor Office was completed along with the road construction project that was started in June 2014.

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, 2014 and 2013

<i>Statements of Net Position</i>	June 30, 2014	June 30, 2013	June 30, 2012
Assets			
Current Assets			
Cash and cash equivalents	\$ 898,388	\$ 343,956	\$ 271,558
Receivables			
Property tax			
Delinquent	8,016	6,745	6,711
Succeeding year	1,097,160	1,058,403	1,023,886
Rent	-	431	431
Prepaid expense	6,900	8,911	20,236
Certificate of deposit	40,633	40,422	40,000
Total current assets	<u>2,051,097</u>	<u>1,458,868</u>	<u>1,362,822</u>
Capital Assets, Net	<u>7,142,856</u>	<u>7,278,756</u>	<u>7,061,666</u>
Total assets	<u>9,193,953</u>	<u>8,737,624</u>	<u>8,424,488</u>
Liabilities			
Current Liabilities			
Current maturities of long-term debt	18,643	34,105	25,860
Accounts payable	56,514	11,177	26,517
Construction payable	-	-	121,821
Rental income received in advance	5,349	550	550
Total current liabilities	<u>80,506</u>	<u>45,832</u>	<u>174,748</u>
Long-Term Debt, Less Current Maturities	<u>4,584</u>	<u>23,227</u>	<u>38,996</u>
Total liabilities	<u>85,090</u>	<u>69,059</u>	<u>213,744</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	<u>1,097,160</u>	<u>1,058,403</u>	<u>1,023,886</u>
Net Position			
Net investment in capital assets	7,119,629	7,221,424	6,996,810
Unrestricted	892,074	388,738	190,048
Total net position	<u>\$ 8,011,703</u>	<u>\$ 7,610,162</u>	<u>\$ 7,186,858</u>

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
Management's Discussion and Analysis
June 30, 2014 and 2013

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,		
	2014	2013	2012
Operating Revenues			
Property tax	\$ 1,054,354	\$ 1,023,469	\$ 947,502
Rental income	5,404	5,835	5,835
Grant revenue	34,301	-	11,826
Miscellaneous	4,655	-	398
Total Operating Revenues	<u>1,098,714</u>	<u>1,029,304</u>	<u>965,561</u>
Operating Expenses			
Administration	55,134	61,944	61,700
Architect and engineer fees	3,952	5,231	3,544
Capital outlay	4,083	8,646	20,947
Computer services	15,034	13,823	4,431
Depreciation	401,306	373,787	371,073
Insurance	36,570	30,660	33,492
Miscellaneous	64	-	96
Painting services	4,768	-	5,134
Professional fees	11,175	10,935	10,425
Repairs and maintenance	82,340	68,655	92,520
Supplies and equipment	81,203	30,583	56,646
Total Operating Expenses	<u>695,629</u>	<u>604,264</u>	<u>660,008</u>
Operating Income	<u>403,085</u>	<u>425,040</u>	<u>305,553</u>
Nonoperating Revenues (Expenses)			
Interest income	1,443	1,012	1,509
Miscellaneous	-	-	2,475
Loss on disposal of equipment	(1,609)	-	-
Interest expense	(1,378)	(2,748)	(4,058)
Net Nonoperating Revenues (Expenses)	<u>(1,544)</u>	<u>(1,736)</u>	<u>(74)</u>
Change in Net Position	401,541	423,304	305,479
Net Position, Beginning of Year	<u>7,610,162</u>	<u>7,186,858</u>	<u>6,881,379</u>
Net Position, End of Year	<u>\$ 8,011,703</u>	<u>\$ 7,610,162</u>	<u>\$ 7,186,858</u>

Capital Assets

At June 30, 2014, the Board of Trustees' had \$7,142,856 invested in capital assets, net of accumulated depreciation/amortization, as detailed in Note 3 to the financial statements. In fiscal year 2014, the Board of Trustees' acquired or constructed capital assets costing \$267,015.

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.

Long-term Debt

At year-end, the Trustees had \$23,227 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 at the following address:

Board of Trustees
Sunnycrest Manor
2375 Roosevelt Road
Dubuque, IA 52001

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
 Statements of Net Position
 June 30, 2014 and 2013

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents - Note 2	\$ 898,388	\$ 343,956
Receivables		
Property tax		
Delinquent	8,016	6,745
Succeeding year	1,097,160	1,058,403
Rent	-	431
Prepaid expense	6,900	8,911
Certificate of deposit	40,633	40,422
	2,051,097	1,458,868
Capital Assets		
Capital assets not being depreciated	81,818	25,784
Depreciable capital assets, net of accumulated depreciation	7,061,038	7,252,972
Total capital assets, net - Note 3	7,142,856	7,278,756
	9,193,953	8,737,624
Liabilities		
Current Liabilities		
Current maturities of long-term debt - Note 5	18,643	34,105
Accounts payable	56,514	11,177
Rental income received in advance	5,349	550
	80,506	45,832
Long-Term Debt, Less Current Maturities - Note 5	4,584	23,227
	85,090	69,059
Deferred Inflows of Resources		
Unavailable property tax revenue	1,097,160	1,058,403
Net Position		
Net investment in capital assets	7,119,629	7,221,424
Unrestricted	892,074	388,738
	\$ 8,011,703	\$ 7,610,162

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
 Statements of Revenues, Expenses, and Changes in Net Position
 Years Ended June 30, 2014 and 2013

	2014	2013
Operating Revenues		
Property tax	\$ 1,054,354	\$ 1,023,469
Rental income	5,404	5,835
Grant revenue	34,301	-
Miscellaneous	4,655	-
	1,098,714	1,029,304
Operating Expenses		
Administration	55,134	61,944
Architect and engineer fees	3,952	5,231
Capital outlay	4,083	8,646
Computer services	15,034	13,823
Depreciation	401,306	373,787
Insurance	36,570	30,660
Miscellaneous	64	-
Painting services	4,768	-
Professional fees	11,175	10,935
Repairs and maintenance	82,340	68,655
Supplies and equipment	81,203	30,583
	695,629	604,264
Operating Income	403,085	425,040
Nonoperating Revenues (Expenses)		
Interest income	1,443	1,012
Loss on disposal of equipment	(1,609)	-
Interest expense	(1,378)	(2,748)
	(1,544)	(1,736)
Change in Net Position	401,541	423,304
Net Position, Beginning of Year	7,610,162	7,186,858
Net Position, End of Year	\$ 8,011,703	\$ 7,610,162

Dubuque County Hospital at Sunnycrest Manor Board of Trustees

Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Receipts of property tax revenues	\$ 1,053,083	\$ 1,023,435
Payments of services and other expenses	(246,975)	(234,492)
Other receipts	49,590	5,835
Net Cash and Cash Equivalents provided by Operating Activities	855,698	794,778
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(267,015)	(692,070)
Payments on long-term debt	(34,105)	(28,152)
Interest payments on long-term debt	(1,378)	(2,748)
Net Cash used for Capital and Related Financing Activities	(302,498)	(722,970)
Cash Flows from Investing Activities		
Purchase of certificate of deposit	(211)	(422)
Interest income	1,443	1,012
Net Cash provided by Investing Activities	1,232	590
Change in Cash and Cash Equivalents	554,432	72,398
Cash and Cash Equivalents, Beginning of Year	343,956	271,558
Cash and Cash Equivalents, End of Year	\$ 898,388	\$ 343,956
Reconciliation of Operating Income to Net Cash provided by Operating Activities		
Operating income	\$ 403,085	\$ 425,040
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	401,306	373,787
Changes in assets, liabilities, and deferred inflows of resources		
Delinquent property taxes	(1,271)	(34)
Succeeding year property taxes	(38,757)	(34,517)
Rent receivable	431	-
Prepaid expense	2,011	11,325
Accounts payable	45,337	(15,340)
Rental income received in advance	4,799	-
Unavailable property tax revenue	38,757	34,517
Net Cash provided by Operating Activities	\$ 855,698	\$ 794,778
Supplemental Disclosure of Non-cash Investing and Financing Activity		
Equipment financed through capital lease arrangements	\$ -	\$ 20,628

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 Board of Trustees 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 reported in deferred inflows of resources as unavailable property tax revenue 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 Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Board of Trustees has no items that qualify for reporting in this category.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statements of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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.

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 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. Reclassifications were made to report deferred inflows of resources under GASB 65 and to increase net cash and cash equivalents provided by operating activities and net cash used for capital and related financing activities for construction payables.

Note 2 - Cash and Cash Equivalents

At June 30, 2014 and 2013, 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, 2014 and 2013

Note 3 - Capital Assets

Capital assets activity for the years ended June 30, 2014 and 2013, was as follows:

	June 30, 2013 Balance	Additions	Deductions	Transfers	June 30, 2014 Balance
Capital Assets Not Being Depreciated:					
Land	\$ 6,000	\$ -	\$ -	\$ -	\$ 6,000
Construction in progress	19,784	56,034	-	-	75,818
Total capital assets not being depreciated	<u>25,784</u>	<u>56,034</u>	<u>-</u>	<u>-</u>	<u>81,818</u>
Capital Assets Being Depreciated:					
Buildings	11,203,807	190,049	(3,830)	-	11,390,026
Fixed equipment	1,989,570	20,932	(112,244)	-	1,898,258
Leasehold improvements	82,820	-	-	-	82,820
Vehicles	60,008	-	-	-	60,008
Total capital assets being depreciated	<u>13,336,205</u>	<u>210,981</u>	<u>(116,074)</u>	<u>-</u>	<u>13,431,112</u>
Less Accumulated Depreciation for:					
Buildings	4,467,782	312,492	(3,328)	-	4,776,946
Fixed equipment	1,553,319	86,690	(111,137)	-	1,528,872
Leasehold Improvements	2,124	2,124	-	-	4,248
Vehicles	60,008	-	-	-	60,008
Total accumulated depreciation	<u>6,083,233</u>	<u>401,306</u>	<u>(114,465)</u>	<u>-</u>	<u>6,370,074</u>
Total Capital Assets Being Depreciated, Net	<u>7,252,972</u>	<u>(190,325)</u>	<u>(1,609)</u>	<u>-</u>	<u>7,061,038</u>
Total Capital Assets, Net	<u>\$ 7,278,756</u>	<u>\$ (134,291)</u>	<u>\$ (1,609)</u>	<u>\$ -</u>	<u>\$ 7,142,856</u>

Construction in progress at June 30, 2014 includes engineering fees related to the Road Reconstruction project. The total estimated additional cost to complete the reconstruction is approximately \$716,000. The project is expected to be completed by Fall 2014. The Board of Trustees will use current assets, as well as a \$420,000 short-term loan from Dubuque County, to fund the remaining project costs.

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
Notes to Financial Statements
June 30, 2014 and 2013

	June 30, 2012				June 30, 2013
	<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	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	84,741	-	-	1,553,319
Leasehold Improvements	-	2,124	-	-	2,124
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>

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, 2014 and 2013 consist of:

	<u>2014</u>	<u>2013</u>
Fixed Equipment	\$ 20,628	\$ 20,628
Less accumulated amortization	<u>(5,501)</u>	<u>(1,375)</u>
	<u>\$ 15,127</u>	<u>\$ 19,253</u>

Dubuque County Hospital at Sunnycrest Manor Board of Trustees

Notes to Financial Statements

June 30, 2014 and 2013

Minimum future lease payments for noncancelable capital leases as of June 30, 2014 are as follows:

Years Ending June 30,	Capital Leases
2015	\$ 6,876
2016	4,584
Total Minimum Lease Payments	11,460
Less interest	-
Present Value of Minimum Lease Payments - Note 5	\$ 11,460

Note 5 - Long-Term Debt

A schedule of changes in long-term debt for the years ended June 30, 2014 and 2013 is as follows:

	Balance June 30, 2013	Additions	Payments	Balance June 30, 2014	Amounts Due Within One Year
Note Payable, 5.10%, Due in Monthly Payments of \$2,384, Including Interest, to November 2014, Secured by Equipment	\$ 38,996	\$ -	\$ 27,229	\$ 11,767	\$ -
Capitalized Lease Obligations - Note 4	18,336	-	6,876	11,460	18,643
	\$ 57,332	\$ -	\$ 34,105	23,227	\$ 18,643
Less current maturities				(18,643)	
Long-term debt, less current maturities				\$ 4,584	

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
Notes to Financial Statements
June 30, 2014 and 2013

	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
	<u>\$ 64,856</u>	<u>\$ 20,628</u>	<u>\$ 28,152</u>	<u>57,332</u>	<u>\$ 34,105</u>
Less current maturities				(34,105)	
Long-term debt, less current maturities				\$ 23,227	

Long-term debt requirements to maturities are as follows:

Years Ending June 30,	Principal	Interest
2015	\$ 18,643	\$ 153
2016	4,584	-
	\$ 23,227	\$ 153

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, 2014

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, 2014

	<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	\$ 1,054,354	\$ (1,271)	\$ 1,053,083	\$ 1,058,403	\$ (5,320)
Estimated Other Revenues/Receipts	<u>45,803</u>	<u>8,475</u>	<u>54,278</u>	<u>6,735</u>	<u>47,543</u>
	1,100,157	7,204	1,107,361	1,065,138	42,223
Expenses/Disbursements	<u>698,616</u>	<u>(145,898)</u>	<u>552,718</u>	<u>1,239,053</u>	<u>686,335</u>
Net	401,541	153,102	554,643	(173,915)	<u>\$ 728,558</u>
Balance, Beginning of Year	<u>7,610,162</u>	<u>(7,225,784)</u>	<u>384,378</u>	<u>215,915</u>	
Balance, End of Year	<u>\$ 8,011,703</u>	<u>\$ (7,072,682)</u>	<u>\$ 939,021</u>	<u>\$ 42,000</u>	

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, 2014.

For the year ended June 30, 2014, 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, 2014 and the related notes to the financial statements, and have issued our report thereon dated January 21, 2015.

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 (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Board of Trustees’ internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control 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 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 entity’s 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 2014-A and 2014-B 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of non-compliance which is described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the Board of Trustees' operations for the year ended June 30, 2014, 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 the 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. The Board of Trustees' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the Board of Trustees' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board of Trustees' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dubuque, Iowa
January 21, 2015

Part I: Findings Related to the Financial Statements

Material Weaknesses

2014-A 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. In conjunction with completion of our audit, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause: The outsourcing of these services is not unusual in an organization of your size. We realize that obtaining the expertise necessary to prepare the financial statements in accordance with GAAP, including all necessary disclosures, 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.

Recommendation: It is the responsibility of Board of Trustees management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. 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 the Board of Trustees' 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.

2014-B 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

2014-IA-A Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amended amount budgeted.

2014-IA-B 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.

2014-IA-C Travel Expense – No expenditures of the Board of Trustees’ money for travel expenses of spouses of Board of Trustees officials were noted.

2014-IA-D Business Transactions - We noted no business transactions between the Board of Trustees and Board of Trustees officials. However, the following transaction was noted between the Board of Trustees and its Fiscal Agent:

Name, Title, and Business Connection	Transaction Description	Amount
Tina Allen, Fiscal Agent, spouse is Chief Information Officer of ACES	Technology Services	\$ 5,182

2014-IA-E 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.

2014-IA-F 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)

2014-IA-G **Deposits** – No instances of noncompliance with the deposit provisions of Chapter 12C of the Code of Iowa were noted.

2014-IA-H **Notice of Board Meetings** – Chapter 21.4 of the Code of Iowa requires public notice of the time, date, and place of each meeting, including an agenda. The notice should be provided to any news media who have filed a request and be posted at a prominent place at the principal office of the government. Notices are required to be given at least twenty-four hours prior to the commencement of the meeting. During our audit, we were unable to determine if proper public notice was given for several meetings selected for testing.

Recommendation – We recommend the Board of Trustees review their procedures regarding public notice of their meetings to ensure their compliance with Chapter 21.4 of the Code of Iowa.

Response – The Board of Trustees will revise their public notice procedures to comply with Chapter 21.4 of the Code of Iowa.