



Financial Statements
June 30, 2015 and 2014

**Dubuque County Hospital at
Sunnycrest Manor Board of Trustees**

Dubuque County Hospital at Sunnycrest Manor Board of Trustees

Table of Contents
June 30, 2015 and 2014

Board of Trustees	1
Independent Auditor’s Report.....	2
Management’s Discussion and Analysis.....	4
Financial Statements	
Statements of Net Position.....	9
Statements of Revenues, Expenses, and Changes in Net Position.....	10
Statements of Cash Flows	11
Notes to Financial Statements.....	12
Required Supplementary Information	
Budgetary Comparison Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual (Cash Basis)	19
Notes to Required Supplementary Information – Budgetary Reporting.....	20
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 <i>Government Auditing Standards</i>	21
Schedule of Findings and Responses	23

Dubuque County Hospital at Sunnycrest Manor Board of Trustees

Board of Trustees
June 30, 2015 and 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sheila Frank	Chairperson	12/31/2018
Nancy Webster	Secretary	12/31/2016
Michael Muir	Treasurer	12/31/2016
Kevin Stevens	Member	12/31/2018
Leo Kennedy	Member	12/31/2018
Jean Becker	Member	12/31/2020
Sally Frick	Member	12/31/2020



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 statements of net position of Dubuque County Hospital at Sunnycrest Manor Board of Trustees (Board of Trustees), as of June 30, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position and statements of cash flow for the years then ended, and the related notes to the financial statements, which collectively comprise the Board of Trustees' basic financial statements.

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, 2015 and 2014, and the changes in 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 19 and 20 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Trustees' basic financial statements. The list of Board of Trustees is presented for purposes of additional analysis and is not a required part of the financial statements. 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 August 28, 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 report 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
August 28, 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, 2015, 2014, and 2013. 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, 2015 and 2014 report total assets of \$9,557,014 and \$9,193,953, total liabilities of \$64,048 and \$85,090, total deferred inflows of resources of \$1,117,815 and \$1,097,160, and net position of \$8,375,151 and \$8,011,703.

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 \$1,129,517 and \$1,098,714, and total operating expenses of \$630,303 and \$695,629 during the years ended June 30, 2015 and 2014. The operating income was \$499,214 in 2015 and \$403,085 in 2014.

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 \$9,193,953 in 2014 to \$9,557,014 in 2015, or 3.95%. A significant portion of this increase represents an increase in capital building improvements.
- The Trustees' assets exceeded liabilities and deferred inflows of resources by \$8,375,151 and \$8,011,703 at June 30, 2015 and 2014.
- The Trustees' total operating revenues were \$1,129,517 in 2015 and \$1,098,714 in 2014, while the operating expenses were \$630,303 in 2015 and \$695,629 in 2014. The Trustees had income from operations of \$499,214 in 2015 and \$403,085 in 2014, which is 44.20% and 36.69% of total operating revenues.
- The Trustees made capital building improvements totaling \$1,035,913 during the period. The source of funding for the various projects completed this fiscal year was derived from tax revenues. The road reconstruction project was completed during 2015.

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 Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements 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 Statements of Net Position and Statements 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 Statements of Cash Flows

The Statements 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, 2015 and 2014

<i>Statements of Net Position</i>	June 30, 2015	June 30, 2014	June 30, 2013
Assets			
Current Assets			
Cash and cash equivalents	\$ 301,874	\$ 898,388	\$ 343,956
Receivables			
Property tax			
Delinquent	6,209	8,016	6,745
Succeeding year	1,117,815	1,097,160	1,058,403
Rent	-	-	431
Prepaid expense	11,085	6,900	8,911
Certificate of deposit	441,073	40,633	40,422
Total current assets	1,878,056	2,051,097	1,458,868
Capital Assets, Net	7,678,958	7,142,856	7,278,756
Total assets	9,557,014	9,193,953	8,737,624
Liabilities			
Current Liabilities			
Current maturities of long-term debt	-	18,643	34,105
Accounts payable	64,048	56,514	11,177
Rental income received in advance	-	5,349	550
Total current liabilities	64,048	80,506	45,832
Long-Term Debt, Less Current Maturities	-	4,584	23,227
Total liabilities	64,048	85,090	69,059
Deferred Inflows of Resources			
Succeeding year property tax revenue	1,117,815	1,097,160	1,058,403
Net Position			
Net investment in capital assets	7,678,958	7,119,629	7,221,424
Unrestricted	696,193	892,074	388,738
Total net position	\$ 8,375,151	\$ 8,011,703	\$ 7,610,162

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
Management's Discussion and Analysis
June 30, 2015 and 2014

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,		
	2015	2014	2013
Operating Revenues			
Property tax	\$ 1,116,686	\$ 1,054,354	\$ 1,023,469
Rental income	9,624	5,404	5,835
Grant revenue	-	34,301	-
Miscellaneous	3,207	4,655	-
Total Operating Revenues	<u>1,129,517</u>	<u>1,098,714</u>	<u>1,029,304</u>
Operating Expenses			
Administration	653	55,134	61,944
Architect and engineer fees	11,627	3,952	5,231
Capital outlay	-	4,083	8,646
Computer services	4,967	15,034	13,823
Depreciation	400,413	401,306	373,787
Insurance	36,388	36,570	30,660
Miscellaneous	141	64	-
Painting services	-	4,768	-
Professional fees	56,151	11,175	10,935
Repairs and maintenance	67,018	82,340	68,655
Supplies and equipment	52,357	81,203	30,583
Training and seminars	588	-	-
Total Operating Expenses	<u>630,303</u>	<u>695,629</u>	<u>604,264</u>
Operating Income	<u>499,214</u>	<u>403,085</u>	<u>425,040</u>
Nonoperating Revenues (Expenses)			
Interest income	1,557	1,443	1,012
Loss on disposal of capital assets	(137,171)	(1,609)	-
Interest expense	(152)	(1,378)	(2,748)
Net Nonoperating Revenues (Expenses)	<u>(135,766)</u>	<u>(1,544)</u>	<u>(1,736)</u>
Change in Net Position	363,448	401,541	423,304
Net Position, Beginning of Year	<u>8,011,703</u>	<u>7,610,162</u>	<u>7,186,858</u>
Net Position, End of Year	<u>\$ 8,375,151</u>	<u>\$ 8,011,703</u>	<u>\$ 7,610,162</u>

Capital Assets

At June 30, 2015, the Board of Trustees' had \$7,678,958 invested in capital assets, net of accumulated depreciation, as detailed in Note 3 to the financial statements. In fiscal year 2015, the Board of Trustees' acquired or constructed capital assets costing \$1,035,913.

At June 30, 2014, the Board of Trustees' had \$7,119,629 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.

Long-term Debt

At year-end, the Trustees had no outstanding debt, as detailed in Note 5 to the financial statements.

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. 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, 2015 and 2014

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 301,874	\$ 898,388
Receivables		
Property tax		
Delinquent	6,209	8,016
Succeeding year	1,117,815	1,097,160
Prepaid expense	11,085	6,900
Certificate of deposits	441,073	40,633
Total current assets	1,878,056	2,051,097
Capital Assets		
Capital assets not being depreciated	6,000	81,818
Depreciable capital assets, net of accumulated depreciation	7,672,958	7,061,038
Total capital assets, net	7,678,958	7,142,856
Total assets	9,557,014	9,193,953
Liabilities		
Current Liabilities		
Current maturities of long-term debt	-	18,643
Accounts payable	64,048	56,514
Rental income received in advance	-	5,349
Total current liabilities	64,048	80,506
Long-Term Debt, Less Current Maturities	-	4,584
Total liabilities	64,048	85,090
Deferred Inflows of Resources		
Succeeding year property tax revenue	1,117,815	1,097,160
Net Position		
Net investment in capital assets	7,678,958	7,119,629
Unrestricted	696,193	892,074
Total net position	\$ 8,375,151	\$ 8,011,703

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
 Statements of Revenues, Expenses, and Changes in Net Position
 Years Ended June 30, 2015 and 2014

	2015	2014
Operating Revenues		
Property tax	\$ 1,116,686	\$ 1,054,354
Rental income	9,624	5,404
Grant revenue	-	34,301
Miscellaneous	3,207	4,655
	1,129,517	1,098,714
Total Operating Revenues		
Operating Expenses		
Administration	653	55,134
Architect and engineer fees	11,627	3,952
Capital outlay	-	4,083
Computer services	4,967	15,034
Depreciation	400,413	401,306
Insurance	36,388	36,570
Miscellaneous	141	64
Painting services	-	4,768
Professional fees	56,151	11,175
Repairs and maintenance	67,018	82,340
Supplies and equipment	52,357	81,203
Training and seminars	588	-
	630,303	695,629
Total Operating Expenses		
Operating Income	499,214	403,085
Nonoperating Revenues (Expenses)		
Interest income	1,557	1,443
Loss on disposal of capital assets	(137,171)	(1,609)
Interest expense	(152)	(1,378)
	(135,766)	(1,544)
Net Nonoperating Revenues (Expenses)		
Change in Net Position	363,448	401,541
Net Position, Beginning of Year	8,011,703	7,610,162
Net Position, End of Year	\$ 8,375,151	\$ 8,011,703

Dubuque County Hospital at Sunnycrest Manor Board of Trustees

Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Receipts of property tax revenues	\$ 1,118,493	\$ 1,053,083
Payments of services and other expenses	(226,541)	(246,975)
Other receipts	7,482	49,590
Net Cash and Cash Equivalents from Operating Activities	899,434	855,698
Cash Flows used for Capital and Related Financing Activities		
Purchase of capital assets	(1,035,913)	(267,015)
Payments related to the disposal of capital assets	(37,773)	-
Payments on long-term debt	(23,227)	(34,105)
Interest payments on long-term debt	(152)	(1,378)
Net Cash used for Capital and Related Financing Activities	(1,097,065)	(302,498)
Cash Flows from (used for) Investing Activities		
Purchase of certificate of deposit	(400,440)	(211)
Interest income	1,557	1,443
Net Cash from (used for) Investing Activities	(398,883)	1,232
Change in Cash and Cash Equivalents	(596,514)	554,432
Cash and Cash Equivalents, Beginning of Year	898,388	343,956
Cash and Cash Equivalents, End of Year	\$ 301,874	\$ 898,388
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 499,214	\$ 403,085
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	400,413	401,306
Changes in assets, liabilities, and deferred inflows of resources		
Delinquent property taxes	1,807	(1,271)
Succeeding year property tax receivable	(20,655)	(38,757)
Rent receivable	-	431
Prepaid expense	(4,185)	2,011
Accounts payable	7,534	45,337
Rental income received in advance	(5,349)	4,799
Succeeding year property tax revenue deferred inflow of resources	20,655	38,757
Net Cash from Operating Activities	\$ 899,434	\$ 855,698

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 succeeding year 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 buildings and equipment are as follows:

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' Statements 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.

Note 2 - Cash and Cash Equivalents

At June 30, 2015 and 2014, 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.

Dubuque County Hospital at Sunnycrest Manor Board of Trustees

Notes to Financial Statements

June 30, 2015 and 2014

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

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

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

Note 3 - Capital Assets

Capital assets activity for the years ended June 30, 2015 and 2014, was as follows:

	June 30, 2014				June 30, 2015
	<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	75,818	-	-	(75,818)	-
Total capital assets not being depreciated	<u>81,818</u>	<u>-</u>	<u>-</u>	<u>(75,818)</u>	<u>6,000</u>
Capital Assets Being Depreciated:					
Buildings	11,390,026	1,004,598	(44,336)	75,818	12,426,106
Fixed equipment	1,898,258	31,315	(56,479)	-	1,873,094
Leasehold improvements	82,820	-	(82,820)	-	-
Vehicles	60,008	-	-	-	60,008
Total capital assets being depreciated	<u>13,431,112</u>	<u>1,035,913</u>	<u>(183,635)</u>	<u>75,818</u>	<u>14,359,208</u>
Less Accumulated Depreciation for:					
Buildings	4,776,946	320,008	(24,982)	-	5,071,972
Fixed equipment	1,528,872	78,282	(52,884)	-	1,554,270
Leasehold Improvements	4,248	2,123	(6,371)	-	-
Vehicles	60,008	-	-	-	60,008
Total accumulated depreciation	<u>6,370,074</u>	<u>400,413</u>	<u>(84,237)</u>	<u>-</u>	<u>6,686,250</u>
Total Capital Assets Being Depreciated, Net	<u>7,061,038</u>	<u>635,500</u>	<u>(99,398)</u>	<u>75,818</u>	<u>7,672,958</u>
Total Capital Assets, Net	<u>\$ 7,142,856</u>	<u>\$ 635,500</u>	<u>\$ (99,398)</u>	<u>\$ -</u>	<u>\$ 7,678,958</u>

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
Notes to Financial Statements
June 30, 2015 and 2014

	June 30, 2013 <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	June 30, 2014 <u>Balance</u>
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>

Note 4 - Leases

The Board of Trustees leases certain equipment under noncancelable long-term lease agreements. Certain leases have been recorded as capitalized leases. There were no capitalized leased assets at June 30, 2015. The capitalized leased assets as of June 30, 2014 consist of:

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

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
Notes to Financial Statements
June 30, 2015 and 2014

Note 5 - Long-Term Debt

A schedule of changes in long-term debt for the years ended June 30, 2015 and 2014 is as follows:

	Balance June 30, 2014	Additions	Payments	Balance June 30, 2015	Amounts Due Within One Year
Note Payable, 5.10%, Due in Monthly Payments of \$2,384, Including Interest, to November 2014, Secured by Equipment	\$ 11,767	\$ -	\$ 11,767	\$ -	\$ -
Capitalized Lease Obligations - Note 4	11,460	-	11,460	-	-
	\$ 23,227	\$ -	\$ 23,227	-	\$ -
Less current maturities				-	
Long-term debt, less current maturities				\$ -	
	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	\$ 11,767
Capitalized Lease Obligations - Note 4	18,336	-	6,876	11,460	6,876
	\$ 57,332	\$ -	\$ 34,105	23,227	\$ 18,643
Less current maturities				(18,643)	
Long-term debt, less current maturities				\$ 4,584	

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.

Dubuque County provides certain administrative services to the Board of Trustees, including providing a business agent, a fiscal agent, and a recording secretary. Beginning July 1, 2014, Dubuque County has contributed these services to the Board of Trustees.

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, 2015

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, 2015

	<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	\$ 1,116,686	\$ 1,807	\$ 1,118,493	\$ 1,097,160	\$ 21,333
Estimated Other Revenues/Receipts	<u>14,388</u>	<u>(5,349)</u>	<u>9,039</u>	<u>426,735</u>	<u>(417,696)</u>
	1,131,074	(3,542)	1,127,532	1,523,895	(396,363)
Expenses/Disbursements	<u>767,626</u>	<u>555,980</u>	<u>1,323,606</u>	<u>1,568,093</u>	<u>244,487</u>
Net	363,448	(559,522)	(196,074)	<u>\$ (44,198)</u>	<u>\$ (151,876)</u>
Balance, Beginning of Year	<u>8,011,703</u>	<u>(7,072,682)</u>	<u>939,021</u>		
Balance, End of Year	<u>\$ 8,375,151</u>	<u>\$ (7,632,204)</u>	<u>\$ 742,947</u>		

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2015

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, 2015.

For the year ended June 30, 2015, 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, 2015 and the related notes to the financial statements, and have issued our report thereon dated August 28, 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 2015-A and 2015-B to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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, 2015, 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
August 28, 2015

Part I: Findings Related to the Financial Statements

Material Weaknesses

2015-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.

2015-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

2015-IA-A Certified Budget – Disbursements during the year ended June 30, 2015 did not exceed the amended amount budgeted.

2015-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.

2015-IA-C Travel Expense – No expenditures of the Board of Trustees’ money for travel expenses of spouses of Board of Trustees officials were noted.

2015-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	\$ 3,834

2015-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.

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

2015-IA-F **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Board went into closed session on March 9, 2015 and the minutes do not document the specific exemption under Chapter 21.5 of the Code of Iowa for which the closed session was held as required by Chapter 21.5(2) of the Code of Iowa.

Recommendation – The Board of Trustees should ensure all closed meetings comply with Chapter 21 of the Code of Iowa.

Response – Management will ensure the specific exemption under Chapter 21.5 of the Code of Iowa is listed on the agenda. The motion to go into closed session will include the specific code and exemption and documented in the minutes. Final action will take place in open session and documented in the minutes.

2015-IA-G **Deposits** – No instances of noncompliance with the deposit provisions of Chapter 12C of the Code of Iowa were noted.