



Financial Statements
June 30, 2016 and 2015

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

Dubuque County Hospital at Sunnycrest Manor Board of Trustees

Table of Contents
June 30, 2016 and 2015

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)	18
Notes to Required Supplementary Information – Budgetary Reporting.....	19
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>	20
Schedule of Findings and Responses	22

Dubuque County Hospital at Sunnycrest Manor Board of Trustees

Board of Trustees
June 30, 2016 and 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sheila Frank	Chairperson	12/31/2018
Nancy Webster	Secretary	12/31/2020
Michael Muir	Treasurer	12/31/2016
Kevin Stevens	Member	12/31/2018
Dan Dolter	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, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position and statements of cash flows 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, 2016 and 2015, 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 18 and 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 29, 2016 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 29, 2016

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, 2016, 2015, and 2014. 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, 2016 and 2015 report total assets of \$10,244,317 and \$9,557,014, total liabilities of \$206,672 and \$64,048, total deferred inflows of resources of \$1,175,046 and \$1,117,815, and net position of \$8,862,599 and \$8,375,151.

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 \$1,173,555 and \$1,129,517, and total operating expenses of \$634,168 and \$630,303 during the years ended June 30, 2016 and 2015. The operating income was \$539,387 in 2016 and \$499,214 in 2015.

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 \$9,557,014 in 2015 to \$10,244,317 in 2016, or 7.19%. A significant portion of this consists of the increase of cash and cash equivalents which is being saved in hopes of constructing a new building.
- The Trustees' assets exceeded liabilities and deferred inflows of resources by \$8,862,599 and \$8,375,151 at June 30, 2016 and 2015.
- The Trustees' total operating revenues were \$1,173,555 in 2016 and \$1,129,517 in 2015, while the operating expenses were \$634,168 in 2016 and \$630,303 in 2015. The Trustees had income from operations of \$539,387 in 2016 and \$499,214 in 2015, which is 45.96% and 44.20% of total operating revenues.
- The Trustees made capital building improvements totaling \$592,480 during the period. The source of funding for the various projects completed this fiscal year was derived from tax revenues.

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, 2016 and 2015

<i>Statements of Net Position</i>	June 30, 2016	June 30, 2015	June 30, 2014
Assets			
Current Assets			
Cash and cash equivalents	\$ 1,250,696	\$ 301,874	\$ 898,388
Receivables			
Property tax			
Delinquent	6,539	6,209	8,016
Succeeding year	1,175,046	1,117,815	1,097,160
Prepaid expense	7,730	11,085	6,900
Certificate of deposit	-	441,073	40,633
Total current assets	2,440,011	1,878,056	2,051,097
Capital Assets, Net	7,804,306	7,678,958	7,142,856
Total assets	10,244,317	9,557,014	9,193,953
Liabilities			
Current Liabilities			
Current maturities of long-term debt	-	-	18,643
Accounts payable	58,769	64,048	56,514
Construction payable	135,397	-	-
Rental income received in advance	12,506	-	5,349
Total current liabilities	206,672	64,048	80,506
Long-Term Debt, Less Current Maturities	-	-	4,584
Total liabilities	206,672	64,048	85,090
Deferred Inflows of Resources			
Succeeding year property tax revenue	1,175,046	1,117,815	1,097,160
Net Position			
Net investment in capital assets	7,804,306	7,678,958	7,119,629
Unrestricted	1,058,293	696,193	892,074
Total net position	\$ 8,862,599	\$ 8,375,151	\$ 8,011,703

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
Management's Discussion and Analysis
June 30, 2016 and 2015

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,		
	2016	2015	2014
Operating Revenues			
Property tax	\$ 1,158,125	\$ 1,116,686	\$ 1,054,354
Rental income	11,535	9,624	5,404
Grant revenue	-	-	34,301
Miscellaneous	3,895	3,207	4,655
Total Operating Revenues	<u>1,173,555</u>	<u>1,129,517</u>	<u>1,098,714</u>
Operating Expenses			
Administration	48,163	653	55,134
Architect and engineer fees	5,294	11,627	3,952
Capital outlay	-	-	4,083
Computer services	30,836	4,967	15,034
Depreciation	408,202	400,413	401,306
Insurance	37,308	36,388	36,570
Miscellaneous	-	141	64
Painting services	1,800	-	4,768
Professional fees	11,675	56,151	11,175
Repairs and maintenance	57,273	67,018	82,340
Supplies and equipment	33,617	52,357	81,203
Training and seminars	-	588	-
Total Operating Expenses	<u>634,168</u>	<u>630,303</u>	<u>695,629</u>
Operating Income	<u>539,387</u>	<u>499,214</u>	<u>403,085</u>
Nonoperating Revenues (Expenses)			
Interest income	6,991	1,557	1,443
Loss on disposal of capital assets	(58,930)	(137,171)	(1,609)
Interest expense	-	(152)	(1,378)
Net Nonoperating Revenues (Expenses)	<u>(51,939)</u>	<u>(135,766)</u>	<u>(1,544)</u>
Change in Net Position	487,448	363,448	401,541
Net Position, Beginning of Year	<u>8,375,151</u>	<u>8,011,703</u>	<u>7,610,162</u>
Net Position, End of Year	<u>\$ 8,862,599</u>	<u>\$ 8,375,151</u>	<u>\$ 8,011,703</u>

Capital Assets

At June 30, 2016, the Board of Trustees' had \$7,804,306 invested in capital assets, net of accumulated depreciation, as detailed in Note 3 to the financial statements. In fiscal year 2016, the Board of Trustees' acquired or constructed capital assets costing \$592,480.

At June 30, 2015, the Board of Trustees' had \$7,678,958 invested in capital assets, net of accumulated depreciation/amortization, 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.

Long-term Debt

At year-end, the Trustees had no outstanding debt, as detailed in Note 4 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, 2016 and 2015

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,250,696	\$ 301,874
Receivables		
Property tax		
Delinquent	6,539	6,209
Succeeding year	1,175,046	1,117,815
Prepaid expense	7,730	11,085
Certificate of deposits	-	441,073
Total current assets	2,440,011	1,878,056
Capital Assets		
Capital assets not being depreciated	211,577	6,000
Depreciable capital assets, net of accumulated depreciation	7,592,729	7,672,958
Total capital assets, net	7,804,306	7,678,958
Total assets	10,244,317	9,557,014
Liabilities		
Current Liabilities		
Accounts payable	58,769	64,048
Construction payable	135,397	-
Rental income received in advance	12,506	-
Total liabilities	206,672	64,048
Deferred Inflows of Resources		
Succeeding year property tax revenue	1,175,046	1,117,815
Net Position		
Net investment in capital assets	7,804,306	7,678,958
Unrestricted	1,058,293	696,193
Total net position	\$ 8,862,599	\$ 8,375,151

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
 Statements of Revenues, Expenses, and Changes in Net Position
 Years Ended June 30, 2016 and 2015

	2016	2015
Operating Revenues		
Property tax	\$ 1,158,125	\$ 1,116,686
Rental income	11,535	9,624
Miscellaneous	3,895	3,207
Total Operating Revenues	1,173,555	1,129,517
Operating Expenses		
Administration	48,163	653
Architect and engineer fees	5,294	11,627
Computer services	30,836	4,967
Depreciation	408,202	400,413
Insurance	37,308	36,388
Miscellaneous	-	141
Painting services	1,800	-
Professional fees	11,675	56,151
Repairs and maintenance	57,273	67,018
Supplies and equipment	33,617	52,357
Training and seminars	-	588
Total Operating Expenses	634,168	630,303
Operating Income	539,387	499,214
Nonoperating Revenues (Expenses)		
Interest income	6,991	1,557
Loss on disposal of capital assets	(58,930)	(137,171)
Interest expense	-	(152)
Net Nonoperating Revenues (Expenses)	(51,939)	(135,766)
Change in Net Position	487,448	363,448
Net Position, Beginning of Year	8,375,151	8,011,703
Net Position, End of Year	\$ 8,862,599	\$ 8,375,151

Dubuque County Hospital at Sunnycrest Manor Board of Trustees

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Receipts of property tax revenues	\$ 1,157,795	\$ 1,118,493
Payments of services and other expenses	(227,890)	(226,541)
Other receipts	27,936	7,482
Net Cash and Cash Equivalents from Operating Activities	957,841	899,434
Cash Flows used for Capital and Related Financing Activities		
Purchase of capital assets	(457,083)	(1,035,913)
Payments related to the disposal of capital assets	-	(37,773)
Payments on long-term debt	-	(23,227)
Interest payments on long-term debt	-	(152)
Net Cash used for Capital and Related Financing Activities	(457,083)	(1,097,065)
Cash Flows from (used for) Investing Activities		
Maturity of certificate of deposit	441,073	-
Purchase of certificate of deposit	-	(400,440)
Interest income	6,991	1,557
Net Cash from (used for) Investing Activities	448,064	(398,883)
Change in Cash and Cash Equivalents	948,822	(596,514)
Cash and Cash Equivalents, Beginning of Year	301,874	898,388
Cash and Cash Equivalents, End of Year	\$ 1,250,696	\$ 301,874
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 539,387	\$ 499,214
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	408,202	400,413
Changes in assets, liabilities, and deferred inflows of resources		
Delinquent property taxes	(330)	1,807
Succeeding year property tax receivable	(57,231)	(20,655)
Prepaid expense	3,355	(4,185)
Accounts payable	(5,279)	7,534
Rental income received in advance	12,506	(5,349)
Succeeding year property tax revenue deferred inflow of resources	57,231	20,655
Net Cash from Operating Activities	\$ 957,841	\$ 899,434

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, liabilities and deferred inflows of resources, 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, 2016 and 2015, 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, 2016 and 2015

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, 2016 and 2015, was as follows:

	June 30, 2015 Balance	Additions	Deductions	Transfers	June 30, 2016 Balance
Capital Assets Not Being Depreciated:					
Land	\$ 6,000	\$ -	\$ -	\$ -	\$ 6,000
Construction in progress	-	205,577	-	-	205,577
Total capital assets not being depreciated	6,000	205,577	-	-	211,577
Capital Assets Being Depreciated:					
Buildings	12,426,106	98,098	(182,246)	-	12,341,958
Fixed equipment	1,873,094	270,405	(762,623)	-	1,380,876
Vehicles	60,008	18,400	(18,758)	-	59,650
Total capital assets being depreciated	14,359,208	386,903	(963,627)	-	13,782,484
Less Accumulated Depreciation for:					
Buildings	5,071,972	327,543	(140,492)	-	5,259,023
Fixed equipment	1,554,270	80,046	(745,447)	-	888,869
Vehicles	60,008	613	(18,758)	-	41,863
Total accumulated depreciation	6,686,250	408,202	(904,697)	-	6,189,755
Total Capital Assets Being Depreciated, Net	7,672,958	(21,299)	(58,930)	-	7,592,729
Total Capital Assets, Net	\$ 7,678,958	\$ 184,278	\$ (58,930)	\$ -	\$ 7,804,306

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
Notes to Financial Statements
June 30, 2016 and 2015

	June 30, 2014 Balance	Additions	Deductions	Transfers	June 30, 2015 Balance
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>

Note 4 - Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2015 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	-	-
	<u>\$ 23,227</u>	<u>\$ -</u>	<u>\$ 23,227</u>	<u>-</u>	<u>\$ -</u>
Less current maturities				-	
Long-term debt, less current maturities				\$ -	

Note 5 - Related Party Transactions

As discussed in Note 1, a lease agreement was executed on January 29, 2001, for Dubuque County to lease the following property from Dubuque County Hospital Board of Trustees:

Lot 3 of the Subdivision of Mineral Lot 306 in the City of Dubuque, Dubuque County, Iowa, upon which certain health care facilities and buildings presently exist.

The term of the lease was 10 years in which rent of \$10 is due at the beginning of each year. The original lease has expired 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, a recording secretary, and starting in fiscal year 2016, a plant supervisor. Beginning July 1, 2014, Dubuque County has contributed the services of the business agent, fiscal agent, and recording secretary to the Board of Trustees.

Note 6 - 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, 2016

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, 2016

	<u>Accrual Basis</u>	<u>Accrual Adjustments</u>	<u>Actual Cash Basis</u>	<u>Original and Final Budget</u>	<u>Final to Actual Cash Basis Variance</u>
Estimated Amount to be Raised by Taxation	\$ 1,158,125	\$ (330)	\$ 1,157,795	\$ 1,137,421	\$ 20,374
Estimated Other Revenues/Receipts	<u>22,421</u>	<u>12,506</u>	<u>34,927</u>	<u>5,300</u>	<u>29,627</u>
	1,180,546	12,176	1,192,722	1,142,721	50,001
Expenses/Disbursements	<u>693,098</u>	<u>(8,125)</u>	<u>684,973</u>	<u>544,500</u>	<u>(140,473)</u>
Net	487,448	20,301	507,749	<u>\$ 598,221</u>	<u>\$ (90,472)</u>
Balance, Beginning of Year	<u>8,375,151</u>	<u>(7,632,204)</u>	<u>742,947</u>		
Balance, End of Year	<u>\$ 8,862,599</u>	<u>\$ (7,611,903)</u>	<u>\$ 1,250,696</u>		

Dubuque County Hospital at Sunnycrest Manor Board of Trustees
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2016

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, 2016.

For the year ended June 30, 2016, the Board of Trustees' expenditures exceeded 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, 2016 and the related notes to the financial statements, and have issued our report thereon dated August 29, 2016.

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 2016-A and 2016-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, 2016, 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 29, 2016

Part I: Findings Related to the Financial Statements

Material Weaknesses

2016-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.

2016-B Material Audit Adjustments

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 proposed material audit adjustments to capital assets that were not identified as a result of the Board of Trustees’ existing internal controls and, therefore, could have resulted in a material misstatement of the financial statements.

Cause – The capital asset detail listing was missing accounts payable items. This was due to a combination of cash basis reports being used to compile the listing and a lack of communication from a purchasing agent.

Effect – The effect of this condition was financial data not 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 completeness of the capital asset records.

Response – Internal controls were put in place during the conversion to accrual basis for year-end by utilizing accounting software functionality. This control will allow more thorough asset tracking and aid in identifying assets in accounts payable at year end. The purchasing agent will be educated the year-end accrual process, and the importance of submitting the invoices on a timely basis.

Part II: Other Findings Related to Required Statutory Reporting

2016-IA-A **Certified Budget** – Disbursements during the year ended June 30, 2016 exceeded the amount budgeted. A budget amendment was approved by the Board of Trustees during the fiscal year 2017 budget process. However, the budget was not amended in accordance with Chapter 24.9 of the Code of Iowa, which requires proper public notice and a public hearing.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The notice and hearing form for amending the current budget separately from the next fiscal year budget will be used in accordance with Chapter 24.9 of the Code of Iowa prior to disbursements exceeding budget are made.

2016-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.

2016-IA-C **Travel Expense** – No expenditures of the Board of Trustees’ money for travel expenses of spouses of Board of Trustees officials were noted.

2016-IA-D **Business Transactions** - We noted no business transactions between the Board of Trustees and Board of Trustees officials.

2016-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)

2016-IA-F **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.

2016-IA-G **Deposits** – Chapter 12C.2 of the Code of Iowa requires depositories be approved by written resolution. A new depository was approved in the minutes by the Board of Trustees. However, the depository was not approved by resolution.

Recommendation – All depositories should be approved by resolution in accordance with Chapter 12C.2 of the Code of Iowa.

Response – The depository resolution will be reviewed annually. A new resolution will be completed any time there is a change in depositories. All depositories will be approved by resolution in accordance with Chapter 12C.2 of the Code of Iowa.