

Exhibit “A”

MARY ELLEN ROBERTSON

CERTIFIED PUBLIC ACCOUNTANT

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BEAUMONT, TX 77706

409-892-8901

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To the Board of Directors of the Winnie-Stowell Hospital District:

As requested by the board, I have performed certain disbursement testing procedures agreed to by the Winnie-Stowell Hospital District and its management, solely to assist you with respect to monitoring proper application of certain policies and procedures relating to expenditure of monies given to Riceland Medical Center on March 5, 2015 in the amount of \$1,300,000 and April 15, 2015 in the amount of \$700,000.

I performed certain disbursement testing based on the reporting provided by the Medical Center of expenditures made totaling \$1,278,000. A random sample was chosen and items tested accordingly.

In most instances, I was provided with copies of the invoice and a copy of the front and back of the checks written. No original checks were examined and no bank statements were provided.

I examined briefly the agreement with Heartland which included a settlement for a contract signed 6/29/12 with the prior owners for software and support.

I also examined the quotation for a new operating room which was recommended by A-1 Consulting for a standalone building and recapped that information on the attached schedule. The cost of the survey was \$26,000.

I have attached information showing other items examined.

I was not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the expenditure records. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters may have come to my attention that would have been reported to you.

This report is intended solely for the information and use of the Winnie-Stowell Hospital District and its management and should not be used by anyone other than those specified parties.

Mary Ellen Robertson, CPA

Beaumont, Texas

November 5, 2015

Member of the American Institute of Certified Public Accountants
Member of the Texas Society of Certified Public Accountants

Winnie-Stowell Hospital District
 Partial Disbursement Testing for portion of \$2,000,000 distribution made by the Board of Directors in March and April of 2015.
 Winnie Community Hospital, LLC, dba RiceLand Medical Center

Item #	Vendor	Invoice Date	Invoice #	Invoice Amount	Amount Paid	Description	Invoice Reviewed	Check Number	Amount Paid	Date Paid	Date Bank Statement	Bank	Verified By	Date Verified
1	True Southern Real Estate	9/11/2015	118	226,101.81	150,000.00	Room Repairs	Y	100		5/18/2015			MER/RE	11/4/2015
					150,000.00									
2	Realty Imaging					IDM of machines 389478C119								
	Quotation - provided \$150,000	15-0128		208,110.63		Brand: GE Lightspeed 16 CD Scanner	Y	n/a	112,952.50	5/28/2015		Mid-South		
						Descr: Refurbished		207391	38,158.13			Prosperity		
						Mod #:								
									195,000.00			Tx First		
		4/10/2015	15-0285	24,883.13	24,883.13	Renovation of CT Scan Room	Y	206591	18,477.98	4/14/2015		Prosperity		
									6,455.15	5/28/2015		Prosperity	MER/RE	11/4/2015
					427,043.76									
3	A-1 Consulting & Mgmt	6/26/2015	788-01	24,951.63	24,951.63		Y	207485	24,951.63	9/22/2015		Prosperity	MER/RE	11/4/2015
4	A-1 Consulting & Mgmt	6/24/2015	787-92	2,500.00	2,500.00		Y	207488	2,500.00	9/23/2015		Prosperity	MER/RE	11/4/2015
5	Healthland					Original Agreement dated 6/29/12								
	Purchase of Software & Maintenance	3/12/2015	385766	62,500.00	62,500.00	Settlement Agreement 2/27/15	Y	EFT	62,500.00	3/6/2015				
		4/16/2015	386878	62,500.00	62,500.00		Y	EFT	62,500.00	4/8/2015				
		5/16/2015	386879	62,500.00	62,500.00		Y	EFT	62,500.00	5/16/2015				
		6/19/2015	386608	62,500.00	62,500.00		Y	EFT	62,500.00	6/19/2015				
				250,000.00										
6	True Southern Real Estate	6/24/2015	08	31,000.00	20,500.00		Y	207202	20,500.00	6/25/2015		Prosperity	MER/RE	11/4/2015
					20,500.00									
7	A-1 Consulting													
	Marketing Vehicle	788-89		11,998.59	11,998.59	Descr: 2013 Chev Spark (Used)	Y	207294	11,998.59	7/27/2015		Prosperity	MER/RE	11/4/2015
					11,998.59									
8	A-1 Consulting	6/19/2012	792-12	26,000.00	26,000.00	Quote prepared showing a comparison of actual sq footage in existing bldg to estimated sq footage for two options. Determination that neither plan would work. Quoted as separate building Plan 1: DR Room and Procedure Rooms would cost approx. \$3,385,326. Plan 2: Two DR Rooms would have an approximate cost of \$3,924,326.	Y	207294	26,000.00	7/27/2015		Marketing Vehicle and DR Master Plan paid with same check. Additional Invoice paid with this check as well which was N/A.	MER/RE	11/4/2015
					26,000.00									
					613,893.98									
					1,278,000.00									
					364,106.82									

* Due to the fact that no bank statements were provided, I was not able to verify amounts as clearing the bank. I did in most instances have a copy of the back of the check, but could not always tell when it cleared bank.

Total amounts verified
 Total amount expended per RiceLand
 Amounts from this round which were not verified

MER - Mary Ellen Robertson
 RC - Raul Espinoza

Exhibit “B”

Exhibit “C”

MARY ELLEN ROBERTSON

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ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
Winnie-Stowell Hospital District
Winnie, Texas

I have compiled the accompanying financial statements of WINNIE-STOWELL HOSPITAL DISTRICT (the "District") for the nine-month period ended September 30, 2015 comprised of the statement of net position as of September 30, 2015 and the related statement of revenues, expenditures and changes in net position, cash flows for the nine-month period then ended, and the accompanying supplementary information contained in the comparison actual to budget which is presented for supplementary analysis purposes only in accordance with the Statement of Standards for Accounting and Revenue Services issued by the American Institute of Certified Public Accountants. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are not material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the "District's" financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.



Mary Ellen Robertson, CPA
November 3, 2015

WINNIE-STOWELL HOSPITAL DISTRICT
Statement of Net Position
As of September 30, 2015

CURRENT ASSETS

Cash and Cash Equivalents	\$ 454,701
Short-term Investments	103,817
Sales Tax Receivable	91,059
Nursing Home - UPL Program Receivable	<u>21,469,115</u>

TOTAL CURRENT ASSETS 22,118,692

CAPITAL ASSETS

Capital Assets, Net of Accumulated Depreciation	<u>28,604</u>
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TOTAL ASSETS \$ 22,147,296

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$ 1,951,478
Interest Payable - Nursing Home Program	90,961
Payroll Taxes Payable	1,006
Loan Payable	11,900,000
Due to Nursing Homes	<u>3,493,758</u>

TOTAL CURRENT LIABILITIES 17,437,203

NET POSITION:

Invested in Capital Assets Net of Related Debt	28,604
Unrestricted	<u>4,681,489</u>

TOTAL NET POSITION 4,710,093

TOTAL LIABILITIES AND NET POSITION \$ 22,147,296

WINNIE-STOWELL HOSPITAL DISTRICT
Statement of Revenues, Expenditures and Changes in Net Position
Modified Cash Basis
For the 9-Month Period Ended September 30, 2015

	General Operating Fund	Nursing Home Program	Total
REVENUE:			
Sales Tax Revenue	\$ 419,225	\$ -	\$ 419,225
Investment Income	2,244	-	2,244
Other Revenue	13,182	-	13,182
Loan Proceeds - Building & Land (2107 Hwy 124)	320,000	-	320,000
Nursing Home - UPL Program	-	12,985,058	12,985,058
TOTAL REVENUE	754,651	12,985,058	13,739,709
EXPENSES:			
Administrative Salary	21,640	-	21,640
Administrative Services(Contract Basis & Security)	9,452	-	9,452
Administrative Expenses	3,228	-	3,228
Bank Service Charges	20	-	20
Bonds	150	-	150
District/County Promotion	1,500	-	1,500
Continuing Education, Travel & Seminar	11,849	-	11,849
County Indigent/1115 Wavier/Uncompensated Care Program	99,218	-	99,218
Salary - Indigent Care Administrator	14,152	-	14,152
Depreciation Expense	5,275	-	5,275
Meals	1,797	-	1,797
Insurance	11,264	-	11,264
Insurance - Property	3,695	-	3,695
Interest - Building	7,128	-	7,128
Notices & Fees	316	-	316
Travel	277	-	277
Travel - Indigent Care	1,548	-	1,548
Professional Fees - Acctg.	10,289	-	10,289
Professional Fees - Legal	89,919	-	89,919
Principal Payments on Building	12,890	-	12,890
Project Cost - Nursing Home - UPL Program	-	2,542,903	2,542,903
Nursing Home Program - Acctg. Fees.	-	7,875	7,875
Nursing Home Program - Legal Fees	-	106,809	106,809
Nursing Home Program - Mgmt. Fees	-	5,200,251	5,200,251
Nursing Home Program - Bonds	-	4,300	4,300
Nursing Home Program - Interest Expense	-	1,132,086	1,132,086
Software Cost - Indigent Care	5,295	-	5,295
Office Supplies/Postage	5,108	-	5,108
Taxes - Payroll	2,184	-	2,184
Taxes - Payroll - Indigent Care	1,134	-	1,134
Telephone/Internet	1,706	-	1,706
Web-Site	675	-	675
Hwy 124 - Property Expenses	5,511	-	5,511
Purchase of Land and Building	411,150	-	411,150
Payment to Hospital for Equip.,Furn. & Improv.	-	2,000,000	2,000,000
TOTAL EXPENSES	738,370	10,994,224	11,732,594
INCREASE (DECREASE) IN NET POSITION	16,281	1,990,834	2,007,115
NET POSITION, BEGINNING OF PERIOD	2,702,978	-	2,702,978
NET POSITION, END OF PERIOD	\$ 2,719,259	\$ 1,990,834	\$ 4,710,093

See accountant's compilation report.

WINNIE-STOWELL HOSPITAL DISTRICT
Statement of Cash Flows
For the 9-Month Period Ended September 30, 2015

Cash Flows from Operating Activities	
Increase (Decrease) in Net Position	\$ <u>2,007,115</u>
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation and Amortization	5,275
Decrease (Increase) in Operating Assets:	
Nursing Home - UPL Program Receivable	(13,994,519)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	735,401
Interest Payable	66,689
Nursing Home - Manager Fees Payable	(873,485)
Payroll Taxes Payable	<u>330</u>
Total Adjustments	<u>(14,060,309)</u>
Net Cash Provided By (Used In) Operating Activities	<u>(12,053,194)</u>
Cash Flows from Investing Activities	
Increase in Short-Term Investment	(271)
Net Cash Provided By (Used In) Investing Activities	<u>(271)</u>
Cash Flows from Financing Activities	
Loan Payable	10,349,000
Net Cash Provided By (Used In) Financing Activities	<u>10,349,000</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(1,704,465)
Beginning Cash and Cash Equivalents	<u>2,159,166</u>
Ending Cash and Cash Equivalents	<u>\$ <u>454,701</u></u>

WINNIE-STOWELL HOSPITAL DISTRICT

SUPPLEMENTARY INFORMATION

WINNIE-STOWELL HOSPITAL DISTRICT
Supplementary Information - Comparison Actual to Budget
Modified Cash Basis

	9 Months Ended 9/30/2015 Actual	Annual Budget	Over (Under) Budget
Revenue			
Sales Tax Revenue	\$ 419,225	\$ 695,000	(275,775)
Investment Income	2,244	2,500	(256)
Other Revenue	13,182	13,182	-
Loan Proceeds - Building & Land (2107 Hwy 124)	320,000	320,000	-
Loan Proceeds - UPL Program	-	19,640,000	(19,640,000)
Nursing Home - UPL Program	<u>12,985,058</u>	<u>35,675,000</u>	<u>(22,689,942)</u>
Total Revenue	<u><u>13,739,709</u></u>	<u><u>56,345,682</u></u>	<u><u>(42,605,973)</u></u>
Expenses			
Administrative Salary	21,640	31,200	(9,560)
Administrative Services(Contract Basis & Security)	9,452	11,200	(1,748)
Administrative Expenses	3,228	2,500	728
Bank Service Charges	20	150	(130)
Bonds	150	350	(200)
District/County Promotion	1,500	1,500	-
Continuing Education, Travel & Seminar	11,849	8,000	3,849
Continuing Education - Medical Personnel	-	12,000	(12,000)
County Indigent/1115 Wavier/Uncompensated Care Program	99,218	280,000	(180,782)
Salary - Indigent Care Administrator	14,152	36,500	(22,348)
Meals	1,797	750	1,047
Insurance	11,264	6,000	5,264
Insurance - Property	3,695	6,000	(2,305)
Interest - Building	7,128	10,584	(3,456)
Notices & Fees	316	2,500	(2,184)
Travel	277	-	277
Travel - Indigent Care	1,548	2,500	(952)
Professional Fees - Acctg.	10,289	30,000	(19,711)
Professional Fees - Legal	89,919	100,000	(10,081)
Principal Payments on Building	12,890	19,442	(6,552)
Software Cost - Indigent Care	5,295	7,413	(2,118)
Office Supplies/Postage	5,108	5,000	108
Taxes - Payroll	2,184	2,500	(316)
Taxes - Payroll - Indigent Care	1,134	2,800	(1,666)
Benefits - Employee	-	2,000	(2,000)
Telephone/Internet	1,706	2,000	(294)
Web-Site	675	1,500	(825)
Hwy 124 - Property Expenses	5,511	8,000	(2,489)
Purchase of Land and Building	411,150	411,150	-
Contingency	-	200,000	(200,000)
Principal Payments on UPL Program Loans	-	19,640,000	(19,640,000)
Project Cost - Nursing Home - UPL Program	2,542,903	3,381,150	(838,247)
Nursing Home Program - Acctg. Fees.	7,875	-	7,875
Nursing Home Program - Legal Fees	106,809	100,000	6,809
Nursing Home Program - Mgmt. Fees	5,200,251	19,875,000	(14,674,749)
Nursing Home Program - Bonds	4,300	3,500	800
Nursing Home Program - Interest Expense	1,132,086	1,621,456	(489,370)
Payment to Hospital for Equip.,Furn. & Improv.	<u>2,000,000</u>	<u>3,750,000</u>	<u>(1,750,000)</u>
Total Expenses	<u><u>11,727,319</u></u>	<u><u>49,574,645</u></u>	<u><u>(37,847,326)</u></u>
Revenue Over(Under) Expenses	<u><u>\$ 2,012,390</u></u>	<u><u>\$ 6,771,037</u></u>	

See accountant's compilation report.