

**Winnie-Stowell Hospital District  
Winnie, Texas**

**For the Years Ended  
December 31, 2015 and 2014**

# **D U R B I N & C O M P A N Y, L. L. P.**

Certified Public Accountants

2950-50th Street  
Lubbock, Texas 79413  
(806) 791-1591  
Fax (806) 791-3974

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors and Management  
Winnie-Stowell Hospital District  
Winnie, Texas

We have audited the accompanying financial statements of Winnie-Stowell Hospital District (the "District"), which comprise the statements of net position, as of December 31, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Winnie-Stowell Hospital District as of December 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages A-1 through A-4 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.



Durbin & Company, L. L. P.  
Lubbock, Texas  
May 31, 2017

**Winnie-Stowell Hospital District  
Winnie, Texas**

**Management's Discussion and Analysis**

**For the Years Ended  
December 31, 2015 and 2014**

**WINNIE-STOWELL HOSPITAL DISTRICT**  
**MANAGEMENTS' DISCUSSION AND ANALYSIS**  
**AND FINANCIAL STATEMENTS**

**UNAUDITED**

Our discussion and analysis of Winnie-Stowell Hospital District's financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2015 and 2014. Please read it in conjunction with the District's financial statements, which begin on page 1.

**FINANCIAL HIGHLIGHTS**

- The District's net position increased in 2015 by \$5,359,038 or 106.4% and increased in 2014 by \$4,029,931 or 400.4%
- The District's operating expenses increased in 2015 by \$63,125,651 or 198.0% and increased in 2014 by \$30,745,147 or 2,686.2%.
- The District's non-operating revenues and expenses decreased in 2015 by \$(1,603,640) or (250.9)% and decreased in 2014 by \$(302,056) or (32.1)%.

**USING THIS ANNUAL REPORT**

The District's financial statements consist of three statements, a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Fund Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District but restricted for specific purposes by contributors, grantors, and enabling legislation.

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

Our analysis of the District's finances begins on page A-2. One of the most important questions asked about the District's finances is, "Is the District 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 District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. 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 District's net position and changes to it. You can think of the District's net position—the difference between assets and liabilities—as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the District.

**Winnie-Stowell Hospital District**  
**UNAUDITED MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**AND FINANCIAL STATEMENTS (CONTINUED)**

**The Statement of Cash Flows**

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing 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 balance during the reporting period?”

**THE DISTRICT’S NET POSITION**

The District’s net position is the difference between its assets and liabilities reported in the Statement of Net Position on page 2. The District’s assets, liabilities, and net position are summarized in **Table 1**. The total net position represents the District’s net worth.

**Table 1: Assets, Liabilities, and Net Position**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets:			
Current Assets	\$ 38,126,040	\$ 26,535,741	\$ 983,203
Capital Assets (net)	11,478	33,877	59,504
Total Assets	<u>\$ 38,548,668</u>	<u>\$ 26,569,618</u>	<u>\$ 1,042,707</u>
Liabilities:			
Long-Term Debt Outstanding	\$ 300,557	\$ -	\$ -
Other Current and Non-Current	<u>27,852,705</u>	<u>21,533,250</u>	<u>36,270</u>
Total Liabilities	<u>28,153,262</u>	<u>21,533,250</u>	<u>36,270</u>
Total Net Position	<u>10,395,406</u>	<u>5,036,368</u>	<u>1,006,437</u>
Total Liabilities and Net Position	<u>\$ 38,548,668</u>	<u>\$ 26,569,618</u>	<u>\$ 1,042,707</u>

A significant component of the change in the District’s assets is the increase in patient accounts receivable in the amount of \$5,490,520 in 2015, and \$6,644,869 in 2014. Another significant component of the change in the Districts assets is the increase in nursing home supplemental payments receivable in the amount of \$6,786,376 in 2015 and \$12,875,954 in 2014.

**Winnie-Stowell Hospital District**  
**UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AND FINANCIAL STATEMENTS (CONTINUED)**

**OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET POSITION**

In 2015 and 2014, the District's net position increased in 2015 by \$5,359,038 or 106.4% and increased in 2014 by \$4,029,931 or 400.4%.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating Revenues:			
Net Patient Service Revenue	\$ 100,635,567	\$ 34,599,589	\$ -
Other Operating Revenue	703,190	680,770	9,716
Total Operating Revenue	<u>101,338,757</u>	<u>35,280,359</u>	<u>9,716</u>
Operating Expenses:			
Professional Fees and Purchased Services	3,472	10,000	37,500
Nursing Home Expenses	88,967,492	29,613,188	-
Indigent Care	2,158,540	310,323	318,903
Legal and Consulting Fees	129,254	529,512	337,214
Other Operating	3,676,034	1,386,244	418,879
Depreciation and Amortization	22,399	25,627	25,628
Total Operating Expenses	<u>95,015,343</u>	<u>31,889,692</u>	<u>1,144,545</u>
Operating Income (Loss)	<u>6,323,414</u>	<u>3,390,667</u>	<u>(1,134,829)</u>
Nonoperating Revenues and Expenses:			
Sales Tax Revenue	587,235	661,342	620,958
Investment Income	2,971	966	1,459
Interest Expense	(1,536,970)	(24,272)	-
Other Non Operating	<u>(17,612)</u>	<u>1,228</u>	<u>318,903</u>
Total Nonoperating Revenue	<u>(964,376)</u>	<u>639,264</u>	<u>941,320</u>
Increase (Decrease) in Net Position	<u>\$ 5,359,038</u>	<u>\$ 4,029,931</u>	<u>\$ (193,509)</u>

**Operating Income**

Contributing to the overall change of the District's net position is its operating income, generally, the difference between the net patient service revenue and the expenses incurred to perform those services. The District has reported an operating income of \$6,323,414 and \$3,390,667 in 2015 and 2014, respectively.

**Winnie-Stowell Hospital District  
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS  
AND FINANCIAL STATEMENTS (CONTINUED)**

**Nonoperating Revenues and Expenses**

Nonoperating revenues consist primarily of sales taxes levied by the state and investment income. The District received (\$74,107) less in taxes in 2015, while in 2014 the taxes collected increased by \$40,384

**THE DISTRICT'S CASH FLOWS**

Changes in the District's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses previously discussed.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2015 and 2014, respectively, the District had \$11,478 and \$33,877 invested in capital assets, net of accumulated depreciation, as detailed in Note 4 of the financial statements.

**Debt**

At year end, the District had \$11,370,000 in notes payable as detailed in Note 9 of the financial statements. Additionally, the District had \$300,557 in long-term debt outstanding, as detailed in Note 10 of the financial statements.

**Other Economic Factors**

The District maintains good relations with various employers in the area. The District seeks to maintain its provider status in the many health insurance networks that local employers participate in. The District will continue to look for ways to foster its relationship with local employers and work towards promoting the services it offers to potential patients in the area.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact, the District's office at Winnie-Stowell Hospital District, 538 Broadway, Winnie, Texas 77665.



**Winnie-Stowell Hospital District  
Winnie, Texas**

**Financials**

**For the Years Ended  
December 31, 2015 and 2014**

**WINNIE-STOWELL HOSPITAL DISTRICT**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2015 AND 2014**

<b>ASSETS:</b>	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,702,509	\$ 6,819,166
Short-Term Investments	103,909	103,546
Patient Accounts Receivable, Net of Allowance	12,135,389	6,644,869
Nursing Home Supplemental Payment Receivable	19,662,330	12,875,954
Prepaid and Other Current Assets	2,405,696	1,147
Sales Taxes Receivable	<u>116,207</u>	<u>91,059</u>
Total current assets	38,126,040	26,535,741
<b>ASSETS HELD FOR SALE</b>	411,150	-
<b>CAPITAL ASSETS</b>		
Depreciable Capital Assets, Net	<u>11,478</u>	<u>33,877</u>
Total Assets	<u>\$ 38,548,668</u>	<u>\$ 26,569,618</u>

The accompanying notes are an integral part of these financial statements.

**WINNIE-STOWELL HOSPITAL DISTRICT  
STATEMENTS OF NET POSITION**

**DECEMBER 31, 2015 AND 2014**

<b>LIABILITIES AND NET POSITION:</b>	<u>2015</u>	<u>2014</u>
<b>CURRENT LIABILITIES</b>		
Current Portion of Long-Term Debt	\$ 26,771	\$ -
Accounts Payable	16,481,462	15,297,304
Accrued Payroll, Benefits, and Related Liabilities	1,243	674
Notes Payable	11,370,000	6,211,000
Other Accrued Liabilities	-	24,272
	<hr/>	<hr/>
Total Current Liabilities	27,879,476	21,533,250
<b>NONCURRENT LIABILITIES</b>		
Long-Term Debt, Net of Current Portion	<u>273,786</u>	<u>-</u>
	<hr/>	<hr/>
Total Liabilities	<u>28,153,262</u>	<u>21,533,250</u>
<b>NET POSITION</b>		
Invested in Capital Assets Net of Related Debt	(289,079)	33,877
Unrestricted	<u>10,684,485</u>	<u>5,002,491</u>
	<hr/>	<hr/>
Total Net Position	<u>10,395,406</u>	<u>5,036,368</u>
	<hr/>	<hr/>
Total Liabilities and Net Position	<u>\$ 38,548,668</u>	<u>\$ 26,569,618</u>

The accompanying notes are an integral part of these financial statements.

**WINNIE-STOWELL HOSPITAL DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>OPERATING REVENUES:</b>		
Net Nursing Home Patient Service Revenue	\$ 100,635,567	\$ 34,599,589
Other Revenue	703,190	680,770
Total Operating Revenues	101,338,757	35,280,359
<b>OPERATING EXPENSES:</b>		
Salaries	53,912	14,305
Employee Benefits	4,240	493
Professional Fees and Purchased Services	3,472	10,000
Nursing Home Expenses	88,967,492	29,613,188
Indigent Care	2,158,540	310,323
Legal and Consulting Fees	129,254	529,512
Other Operating	3,676,034	1,386,244
Depreciation and Amortization	22,399	25,627
Total Operating Expenses	95,015,343	31,889,692
Operating Income (Loss)	6,323,414	3,390,667
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Sales Tax Revenue	587,235	661,342
Investment Income	2,971	966
Interest Expense	(1,536,970)	(24,272)
Other Non Operating Revenue (Expenses)	(17,612)	1,228
Total Nonoperating Revenues (Expenses)	(964,376)	639,264
Increase (Decrease) in Net Position	5,359,038	4,029,931
Net Position, Beginning of Year	5,036,368	1,006,437
Net Position, End of Year	\$ 10,395,406	\$ 5,036,368

The accompanying notes are an integral part of these financial statements.

**WINNIE-STOWELL HOSPITAL DISTRICT  
STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from and on Behalf of Patients	\$ 88,358,671	\$ 15,078,766
Other Receipts and Payments, net	(1,700,831)	680,770
Indigent Care Support	(17,612)	3,325,184
Payments to Suppliers and Contractors	(93,752,309)	(19,912,189)
Payments to Employees	(57,583)	(15,271)
Net cash provided by (used in) operating activities	(7,169,664)	(842,740)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Earnings	2,971	966
Purchase of Investments	(363)	101,748
Net Cash Provided by (Used in) Investing Activities	2,608	102,714
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Long-Term Debt and Notes Payable	320,000	-
Principal Payments on Long-Term Debt and Notes Payable	(19,443)	-
Purchase of Capital Assets	(411,150)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	(110,593)	-
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Sales Tax	562,087	700,269
Principal Payments on Debt and Notes Payable	(12,811,000)	-
Proceeds From Issuance of Long-Term Debt and Notes Payable	17,970,000	6,211,000
Interest Payments on Long-Term Debt and Notes Payable	(1,560,092)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	4,160,995	6,911,269
Net Increase (Decrease) in Cash and Cash Equivalents	(3,116,654)	6,171,243
Cash and Cash Equivalents, Beginning of Year	6,819,166	647,923
Cash and Cash Equivalents, End of Year	\$ 3,702,512	\$ 6,819,166

The accompanying notes are an integral part of these financial statements.

**WINNIE-STOWELL HOSPITAL DISTRICT  
STATEMENTS OF CASH FLOWS (CONTINUED)**

**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>RECONCILIATION OF CASH AND EQUIVALENTS TO THE BALANCE SHEETS</b>		
Cash and equivalents presented under the following titles:		
Cash and Cash Equivalents	\$ 3,702,509	\$ 6,819,166
	\$ 3,702,509	\$ 6,819,166
<b>RECONCILIATION OF NET INCOME TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating Income (Loss)	6,323,414	3,390,667
Adjustments to Reconcile Operating Income (Loss) to Net		
Cash Flows Used in Operating Activities:		
Depreciation and Amortization	22,399	25,627
Provision for Bad Debts	935,853	275,621
(Increase) Decrease in:		
Accounts Receivable	(6,426,373)	(6,920,490)
Prepaid Expenses and Other Current Assets	(2,423,308)	-
Nursing Home Supplemental Payment Receivable	(6,786,376)	(12,876,136)
Increase (Decrease) in:		
Accounts Payable	1,184,158	15,261,034
Accrued Salaries and Benefits Payable	569	937
 Net Cash Provided By (Used in) Operating Activities	 \$ (7,169,664)	 \$ (842,740)

The accompanying notes are an integral part of these financial statements.

**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** - The Winnie-Stowell Hospital District (the “District”) was formed as a political subdivision under the laws of the State of Texas, and became effective on January 1, 2005, in the eastern portion of Chambers County, Texas. The District is governed by an elected five-member board of directors serving four-year terms. As a hospital district it is not controlled by or dependent upon any other entity and does not exercise control over operations of any other entity.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America.

**Enterprise Fund Accounting** – The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The District has elected to apply the provisions based on Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The District has also elected to apply the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - The District considers highly liquid investments with an original maturity of three months or less to be cash equivalents, excluding amounts whose use is limited by board designation or other arrangements under trust agreements.

**Investments** – The District is authorized to invest excess working capital and assets whose use is limited in certificate of deposit, money market accounts, or U.S. government securities. The District can invest its excess working capital monies in certificates of deposit at its designated depository and other financial institutions. Investments at the District’s depository are secured by the Federal Deposit Insurance Corporation (FDIC) or through the purchase of collateral in the form of US government securities by the depository.

**Assets Whose Use is Limited** - Assets whose use is limited (if any) include assets held under indenture agreements and designated assets set aside by the board of directors to be used for capital expenditures over which the board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the District have been reclassified as current assets.

**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets** – Capital assets are carried at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment life. Such amortization is included in depreciation and amortization in the financial statements. Except for capital assets acquired through gifts, contributions, or capital grants, interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring these assets.

The District has elected to capitalize expenditures over \$5,000 and provide for depreciation of capital assets by the straight-line method at rates promulgated by the American Hospital Association, which are designed to amortize the cost of such equipment over its useful life as follows:

Major Moveable Equipment	3 to 20 years
--------------------------	---------------

**Net Position** – Net position of the District is classified into two components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

**Operating Revenues and Expenses** – For purposes of display, the District’s statements of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses result from exchange transactions associated with providing health care services - the District’s principal activity. Non-exchange revenues and expenses, including taxes, grants and contributions, and intergovernmental transfers received for purposes other than capital asset acquisition, are reported as non-operating revenues and expenses. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

**Federal Income Taxes** - The District is a political subdivision under the laws of the State of Texas, and therefore, it is exempt from federal income tax pursuant to Section 115 of the Internal Revenue Code. Additionally, pursuant to Section 1.6033-2(g)(6) of the Income Tax Regulations, it is not required to file an information return form 990.

**Indigent Care** – The District provides payment for services to health care providers for certified indigents who have applied and met the District’s criteria for indigent care. The District pays a discounted rate which in most cases is equal to the Medicaid reimbursement rates.

**Sales Tax Revenue** – Sales taxes are collected by the state of Texas and remitted to the District monthly. The tax is collected by the vendor and is required to be remitted to the state by the 20<sup>th</sup> of the month following collection. The tax is then paid to the District by the Friday following the second Wednesday of the subsequent month. These funds were used to support operations.



**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Risk Management** - The District is exposed to various risks of loss from torts: theft of, damage to and destruction of assets; business interruption; errors and omissions and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage during the year.

**NOTE 2 – NURSING HOME NET PATIENT SERVICE REVENUE**

A significant portion of the District’s nursing home revenues and related accounts receivable are derived from programs administered by various federal and state agencies. Accordingly, the District is subject to regulatory requirements imposed by these governmental agencies. Revenues under certain of these programs are subject to examination and retroactive adjustment. Management does not expect a material settlement to result from any such examinations.

Patient service revenue for the Nursing Homes is comprised as follows:

	<u>2015</u>	<u>2014</u>
Hospice Revenue	\$ 1,734,546	\$ 1,671,448
Managed Care Revenue	2,314,005	1,253,969
Medicaid Revenue	44,723,422	12,680,310
Medicare Revenue	25,155,167	8,993,320
Self-Pay Revenue	7,796,728	2,803,401
Supplemental Payments	19,847,552	7,472,762
Gross Nursing Home Patient Service Revenue	<u>101,571,420</u>	<u>34,875,210</u>
Provision for Bad Debts	<u>(935,853)</u>	<u>(275,621)</u>
Net Nursing Home Patient Service Revenue	<u><u>\$ 100,635,567</u></u>	<u><u>\$ 34,599,589</u></u>

**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS**

At December 31, 2015 and 2014, the carrying amount of the District's deposits with financial institutions was \$3,653,897 and \$6,770,324, respectively, and the bank balance was \$3,653,931 and \$2,110,174, respectively.

	<u>2015</u>	<u>2014</u>
Amount insured by the FDIC	\$ 853,909	\$ 809,074
Amount collateralized with securities held by the pledging financial institution's trust department in the District's name	873,625	-
Uncollateralized amount	<u>1,926,397</u>	<u>1,301,100</u>
Total bank balance	<u>\$ 3,653,931</u>	<u>\$ 2,110,174</u>

**NOTE 4 – INVESTMENTS**

The District has funds invested in TexSTAR which is reported as cash and equivalents. TexSTAR is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity, and competitive yield. TexSTAR is administered by First Southwest Asset Management, Inc. and JP Morgan Chase. The fund is rated AAAM by Standard and Poor's and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas Public Funds Investment Act for local government investment pools. At December 31, 2015 and 2014, the carrying amount of the District's deposits with financial institutions was \$152,521 and \$152,388, respectively. Separate financial statements can be obtained by sending TexSTAR a fax or calling 1-800-TEX-STAR.

TexSTAR is a member of Securities Investor Protection Corporation (SIPC). The SIPC provides \$500,000 of coverage for missing securities, including \$250,000 for claims of cash awaiting reinvestment. Market losses are not covered by SIPC.

The District's investments may be exposed to the following types of risk:

**Interest Rate Risk** – Interest rate risk is the risk that the market values of investments will change based on changes in market interest rates. The District limits maturities to one year or less as a means of managing its exposure to fair value losses arising from increasing interest rates. State investment pools are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

**Credit Risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2015 and 2014, the District's investments in TexSTAR was rated AAA by Standard & Poor's.

**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 4 – INVESTMENTS (CONTINUED)**

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. TexSTAR is managed to fulfill all requirements of the Texas Public Funds Investment Act.

**Concentration of Credit Risk** – The District places no limit on the amount that may be invested in any one issuer. At December 31, 2015 and 2014, the investment in state investment pools was approximately 4% and 2% of total cash and cash equivalents respectively.

**NOTE 5 – NURSING HOME ACCOUNTS RECEIVABLE**

**Concentration of credit Risk** – The District grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31 is as follows:

	<u>2015</u>	<u>2014</u>
Medicare	31%	35%
Medicaid	56%	49%
Managed Care	3%	5%
Patients	10%	11%
Total	<u>100%</u>	<u>100%</u>

**NOTE 6 – SALES TAX RECEIVABLE**

Sales taxes are reported as revenues in the period for which they are collected. Tax revenue for 2015 and 2014 was \$587,235 and \$661,342, respectively. As of December 31, 2015 and 2014, the balance of sales tax receivable and its related allowance for uncollectible taxes are as follows:

	<u>2015</u>	<u>2014</u>
Taxes Receivable	<u>\$ 116,207</u>	<u>91,059</u>

**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 7 – CAPITAL ASSETS**

The following is a summary of capital assets at cost less accumulated depreciation:

	Balance 12/31/14	Additions	Reclass/ Retirements	Balance 12/31/15
Land	\$ -	\$ 149,920	\$ (149,920)	\$ -
Building and improvements	-	261,230	(261,230)	-
Equipment	140,655	-	-	140,655
Totals at Historical Cost	140,655	411,150	(411,150)	140,655
Less Accumulated Depreciation for:				
Equipment	(106,778)	(22,399)	-	(129,177)
Total Accumulated Depreciation	(106,778)	(22,399)	-	(129,177)
Capital Assets, Net	<u>\$ 33,877</u>	<u>\$ 388,751</u>	<u>\$ (411,150)</u>	<u>\$ 11,478</u>

	Balance 12/31/13	Additions	Reclass/ Retirements	Balance 12/31/14
Equipment	\$ 140,655	\$ -	\$ -	\$ 140,655
Totals at Historical Cost	140,655	-	-	140,655
Less Accumulated Depreciation for:				
Equipment	(81,151)	(25,627)	-	(106,778)
Total Accumulated Depreciation	(81,151)	(25,627)	-	(106,778)
Capital Assets, Net	<u>\$ 59,504</u>	<u>\$ (25,627)</u>	<u>\$ -</u>	<u>\$ 33,877</u>

Depreciation expense for the years ended December 31, 2015 and 2014, was \$22,399 and \$25,627 respectively.

**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 8 – ASSETS HELD FOR SALE**

At December 31, 2015, Assets Held for Sale consist of land and building purchased during 2015 in the amount of \$411,150. The land and building were sold on March 23, 2016 for \$325,000.

**NOTE 9 – NOTES PAYABLE**

Following is a summary of notes payable at December 31:

	<u>Balance 12/31/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/15</u>
(1) Neches Capital	\$ 1,551,000	\$ -	\$ (1,551,000)	\$ -
(2) Neches Capital	4,660,000	-	(4,660,000)	-
(3) Neches Capital	-	4,140,000	(4,140,000)	-
(4) Neches Capital	-	2,460,000	(2,460,000)	-
(5) Neches Capital	-	4,150,000	-	4,150,000
(6) Neches Capital	-	3,610,000	-	3,610,000
(7) Neches Capital	-	3,610,000	-	3,610,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Notes Payable	<u>\$ 6,211,000</u>	<u>\$ 17,970,000</u>	<u>\$ (12,811,000)</u>	<u>\$ 11,370,000</u>

  

	<u>Balance 12/31/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/14</u>
(1) Neches Capital	\$ -	\$ 1,551,000	\$ -	\$ 1,551,000
(2) Neches Capital	-	4,660,000	-	4,660,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Notes Payable	<u>\$ -</u>	<u>\$ 6,211,000</u>	<u>\$ -</u>	<u>\$ 6,211,000</u>

The terms and due dates of the District's notes payable at December 31, 2015 and 2014 follow:

- (1) Neches Capital – 16.8% note payable with all outstanding principal and interest due January 31, 2015 and is collateralized by cash and investments. Paid in full during fiscal year 2015.
- (2) Neches Capital – 16.8% note payable will all outstanding principal and interest due March 1, 2015 and is collateralized by cash and investments. Paid in full during fiscal year 2015.
- (3) Neches Capital – 16.8% note payable with all outstanding principal and interest due November 9, 2015 and is collateralized by cash and investments. Paid in full during fiscal year 2015.

**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 9 – NOTES PAYABLE (CONTINUED)**

- (4) Neches Capital – 16.8% note payable with all outstanding principal and interest due May 7, 2015 and is collateralized by cash and investments. Paid in full during fiscal year 2015.
- (5) Neches Capital – 16.8% note payable with all outstanding principal and interest due February 1, 2016 and is collateralized by cash and investments.
- (6) Neches Capital – 16.8% note payable with all outstanding principal and interest due May 6, 2016 and is collateralized by cash and investments.
- (7) Neches Capital – 16.8% note payable with all outstanding principal and interest due August 9, 2016 and is collateralized by cash and investments.

**NOTE 10 – LONG TERM DEBT**

The following is a summary of long-term debt at December 31:

	<u>Balance</u> <u>12/31/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/15</u>	<u>Due Within</u> <u>One Year</u>
Prosperity Bank	\$ -	\$ 320,000	\$ (19,443)	\$ 300,557	\$ 26,771

The terms and due date of the District’s long-term debt at December 31, 2015 and December 31, 2014 follow:

- 4.5% promissory note payable to Prosperity Bank, due January 30, 2025 in monthly installments, collateralized by property.

Future maturities of long-term debt are as follows:

For the Year Ending December 31,	<u>Long-Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 26,771	\$ 13,264
2017	28,013	12,022
2018	29,313	10,722
2019	30,673	9,362
2020	32,096	7,939
2021-2025	<u>153,691</u>	<u>16,269</u>
Total	<u>\$ 300,557</u>	<u>\$ 69,578</u>

In 2015 and 2014, total interest incurred was \$1,536,970 and \$24,272, respectively, all of which was charged to operations.

**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 11 – INDIGENT CARE**

The District is responsible for providing healthcare for residents of the District that qualify under the indigent program guidelines. Chambers County agreed to manage the indigent care program on behalf of the District in return for an administrative fee of 5% of indigent care payments. During fiscal year 2015, this contract was ended and the District began operating the indigent care program themselves, by hiring an indigent care director in March 2015. In addition, the District is part of an indigent care assistance agreement with Winnie Community Hospital (the “Hospital”). This agreement is intended to reimburse the Hospital for services provided to residents of the District. The District incurred expense for indigent care and assistance in the amount of \$2,158,540 and \$62,435 for 2015 and 2014, respectively.

**NOTE 12 – NURSING HOME OPERATIONS**

During 2014, the District entered into operations transfer agreements to acquire the operations of thirteen nursing homes so that the District can participate in the Nursing Facility Upper Payment Limit (UPL) Supplemental Payment Program. The operation transfer agreements with all thirteen facilities transferred the operations and certain operating assets of each facility. The District has also received an assignment or transfer of the Medicare and Medicaid Provider agreements for each facility. In addition to the operations transfer agreements, the District has also entered into a lease agreement with each facility for the lease of real property, fixed assets, and associated equipment that encompass the nursing homes’ physical properties. The total rental expense paid to all facilities was \$6,757,457 and \$2,084,265 for December 31, 2015 and 2014, respectively.

Also, during fiscal year 2014, The District has executed a management agreement with LTC Group, LLC to provide certain operational and clinical review services for all of the nursing home facilities on behalf of the Hospital District. The initial term of these agreements are through August 31, 2016, unless sooner terminated. These agreements shall be automatically renewed for successive two year periods unless either party cancels in writing on or before 90 days prior to the end of the current term. Under these agreements, the District has paid total service fees of \$3,390,694 and \$1,197,168, respectively, which is recorded in other operating expenses on the statements of revenues, expenses, and changes in net position for the year ended December 31, 2015 and 2014.

In connection with these agreements, the District has recorded all patient revenue and the related accounts receivable. The District recorded \$100,635,567 and \$34,599,589 in net patient related revenue for the years ended December 31, 2015 and 2014, respectively. These revenues are recorded as Net Nursing Home Patient Service Revenues on the statements of revenues, expenses, and changes in net position.

Additionally, the District has entered into separate management agreements whereby each facility is managed by a third-party in which the District pays monthly fees for management services and operating expenses including quality incentives, if any, based upon the terms of each individual agreement. These fees totals \$4,527,603 and \$1,509,149 for the years ended December 31, 2015 and 2014, respectively. These expenses are recorded as Nursing Home expenses on the statements of revenues, expenses, and changes in net position. Amounts due and unpaid as of December 31, 2015 and 2014 for these expenses are \$16,481,462 and \$15,297,304, respectively.

**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 12 – NURSING HOME OPERATIONS (CONTINUED)**

**Nursing Facility Upper Payment Limit Supplemental Payment Program** – In 2012, the Texas Health and Human Services Commission (HHSC) have implemented a new Nursing Home Upper Payment Limit (NHUPL) Supplemental Payment Program for non-state government-owned nursing facilities. The District participated in this program during the year ended December 31, 2014. Under this program, the District contributed \$10,809,199 for the year ended December 31, 2014 as the state share of the supplemental payment in the form of an intergovernmental transfer (IGT). The state claimed the marching federal funds and made supplemental payments totaling \$12,876,136 for the year ended December 31, 2014. These amounts are recorded in other operating revenue on the statements of revenues, expenses, and changes in net position. The District has recorded an UPL receivable of \$12,875,954 at December 31, 2014. HHSC terminated this program effective October 31, 2014 and created a new program as described below.

**Nursing Facility Minimum Payment Amounts Program (MPAP)** – Effective November 1, 2014, HHSC implemented a new Minimum Payment Amounts Program (MPAP) for non-state government-owned nursing facilities. The MPAP was created by HHSC to replace the Nursing Facility Upper Payment Limit Supplemental Payment Program. The District participated in this program during the year ended December 31, 2015. Under this program, the District contributed approximately \$15,540,842 as the state share of the minimum payment amount in the form of an intergovernmental transfer (IGT). In 2015, the state claimed the matching federal funds and made supplemental payments of approximately \$35,353,173. The District has recorded an MPAP receivable of \$19,662,330 at December 31, 2015.

**NOTE 13 – PHYSICIAN RETENTION AGREEMENT**

During fiscal year 2008, the District entered into a commitment with a local doctor to provide funding of up to \$375,000 for repayment of student loans in return for a promise to remain in the local area for the duration of the agreement term and provide professional healthcare services to residents of the community. The District paid the physician \$18,750 quarterly, starting September 30, 2008, over five years and reported it as an expense as the time requirement was fulfilled. During the years ended December 31, 2015 and 2014, the District expensed \$-0- and \$10,000, respectively. The District has paid the full amount of \$375,000 under this agreement as of December 31, 2015.

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

**Litigation** – The District is, from time to time, subject to claims and suits for damages, including damages for personal injuries to patients and others, most of which are covered as to risk and amount. In the opinion of management, there were no known pending legal proceedings that could have a material effect on the District's financial position or results of operations.



**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 15 – MALPRACTICE CLAIMS**

The District is a unit of government covered by the Texas Tort Claims Acts which, by statute, limits its liability to \$100,000 per person and \$300,000 for each single occurrence. These limits coincide with the malpractice insurance coverage maintained by the District, which is purchased under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claims costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the District's claims experience, no such accrual has been made.

**NOTE 16 – SUBSEQUENT EVENTS**

The date to which events occurring after December 31, 2015, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosure is May 31, 2017, which is the date on which the financial statements were available to be issued.

# **DURBIN & COMPANY, L. L. P.**

## **Certified Public Accountants**

2950 50th Street  
Lubbock, Texas 79413  
(806) 791-1591  
Fax (806) 791-3974

### **ACCOUNTANT'S REPORT ON OTHER FINANCIAL INFORMATION**

Management and the Board of Directors  
Winnie-Stowell Hospital District  
Winnie, Texas

We have audited the financial statements of Winnie-Stowell Hospital District as of and for the years ended December 31, 2015 and 2014, and our report thereon dated May 31, 2017, which expressed an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other financial information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Durbin & Company, L.L.P.  
Lubbock, Texas  
May 31, 2017

**WINNIE-STOWELL HOSPITAL DISTRICT**  
**SUPPLEMENTAL STATEMENT OF NET POSITION**

**DECEMBER 31, 2015**

<b>ASSETS:</b>	<u>District</u>	<u>Nursing Homes</u>	<u>Eliminations</u>	<u>Total</u>
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 3,702,512	\$ 540,176	\$ (540,179)	\$ 3,702,509
Short Term Investments	103,909	-	-	103,909
Patient Accounts Receivable, Net of Allowance	-	12,135,389	-	12,135,389
Estimated Third-Party Payor Settlements	-	19,662,330	-	19,662,330
Other Receivables	22,068,034	-	(19,662,338)	2,405,696
Sales Taxes Receivable	116,207	-	-	116,207
	<u>25,990,662</u>	<u>32,337,895</u>	<u>(20,202,517)</u>	<u>38,126,040</u>
<b>Total Current Assets</b>				
<b>ASSETS HELD FOR SALE</b>	411,150	-	-	411,150
<b>PROPERTY AND EQUIPMENT</b>				
Depreciable Capital Assets, Net	11,478	-	-	11,478
	<u>11,478</u>	<u>-</u>	<u>-</u>	<u>11,478</u>
<b>Total Assets</b>	<u><u>\$ 26,413,290</u></u>	<u><u>\$ 32,337,895</u></u>	<u><u>\$ (20,202,517)</u></u>	<u><u>\$ 38,548,668</u></u>

**WINNIE-STOWELL HOSPITAL DISTRICT**  
**SUPPLEMENTAL STATEMENT OF NET POSITION**

**DECEMBER 31, 2015**

<b>LIABILITIES AND NET POSITION:</b>	District	Nursing Homes	Eliminations	Total
<b>CURRENT LIABILITIES</b>				
Current Portion of Long-Term Debt	\$ 26,771	\$ -	\$ -	\$ 26,771
Accounts Payable	9,758,895	13,662,220	(6,939,653)	16,481,462
Accrued Payroll, Benefits, and Related Liabilities	1,243	-	-	1,243
Notes Payable	11,370,000	-	-	11,370,000
Due to Affiliate	540,179	12,722,685	(13,262,864)	-
Total Current Liabilities	21,697,088	26,384,905	(20,202,517)	27,879,476
<b>NONCURRENT LIABILITIES</b>				
Long-Term Debt, Net of Current Portion	273,786	-	-	273,786
Total Liabilities	21,970,874	26,384,905	(20,202,517)	28,153,262
<b>NET POSITION</b>				
Invested in Capital Assets Net of Related Debt	(289,079)	-	-	(289,079)
Unrestricted	4,731,495	5,952,990	-	10,684,485
Total Net Position	4,442,416	5,952,990	-	10,395,406
Total Liabilities and Net Position	\$ 26,413,290	\$ 32,337,895	\$ (20,202,517)	\$ 38,548,668

**WINNIE-STOWELL HOSPITAL DISTRICT**

**SUPPLEMENTAL STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>District</u>	<u>Nursing Homes</u>	<u>Eliminations</u>	<u>Total</u>
<b>OPERATING REVENUES:</b>				
Net Nursing Home Patient Service Revenue	\$ 19,829,943	\$ 116,176,409	\$ (35,370,785)	\$ 100,635,567
Other Revenue	13,182	690,008	-	703,190
Total Operating Revenues	<u>19,843,125</u>	<u>116,866,417</u>	<u>(35,370,785)</u>	<u>101,338,757</u>
<b>OPERATING EXPENSES:</b>				
Salaries	53,912	-	-	53,912
Employee Benefits	4,240	-	-	4,240
Professional Fees and Purchased Services	3,472	-	-	3,472
Nursing Home Expense	11,091,457	113,246,820	(35,370,785)	88,967,492
Indigent Care	2,158,540	-	-	2,158,540
Legal and Consulting Fees	129,254	-	-	129,254
Other Operating	3,676,034	-	-	3,676,034
Depreciation and Amortization	22,399	-	-	22,399
Total Operating Expenses	<u>17,139,308</u>	<u>113,246,820</u>	<u>(35,370,785)</u>	<u>95,015,343</u>
Operating Income (Loss)	2,703,817	3,619,597	-	6,323,414
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Sales Tax Revenue	587,235	-	-	587,235
Investment Income	2,971	-	-	2,971
Interest Expense	(1,536,970)	-	-	(1,536,970)
Other Non Operating	(17,612)	-	-	(17,612)
Total Nonoperating Revenues (Expenses)	<u>(964,376)</u>	<u>-</u>	<u>-</u>	<u>(964,376)</u>
Increase (Decrease) in Net Position	1,739,441	3,619,597	-	5,359,038
Net Position, Beginning of Year	<u>2,702,975</u>	<u>2,333,393</u>	<u>-</u>	<u>5,036,368</u>
Net Position, End of Year	<u>\$ 4,442,416</u>	<u>\$ 5,952,990</u>	<u>\$ -</u>	<u>\$ 10,395,406</u>

**WINNIE-STOWELL HOSPITAL DISTRICT**  
**SUPPLEMENTAL STATEMENT OF NET POSITION**

**DECEMBER 31, 2014**

<b>ASSETS:</b>	District	Nursing Homes	Eliminations	Total
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 6,819,166	\$ 216,871	\$ (216,871)	\$ 6,819,166
Short Term Investments	103,546	-	-	103,546
Patient Accounts Receivable, Net of Allowance	-	6,644,869	-	6,644,869
Estimated Third-Party Payor Settlements	-	12,875,954	-	12,875,954
Other Receivables	12,876,136	-	(12,874,989)	1,147
Sales Taxes Receivable	91,059	-	-	91,059
Total Current Assets	19,889,907	19,737,694	(13,091,860)	26,535,741
<b>PROPERTY AND EQUIPMENT</b>				
Depreciable Capital Assets, Net	33,877	-	-	33,877
Total Assets	\$ 19,923,784	\$ 19,737,694	\$ (13,091,860)	\$ 26,569,618

**WINNIE-STOWELL HOSPITAL DISTRICT**  
**SUPPLEMENTAL STATEMENT OF NET POSITION**

**DECEMBER 31, 2014**

<b>LIABILITIES AND NET POSITION:</b>	District	Nursing Homes	Eliminations	Total
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 6,617,615	\$ 8,679,689	\$ -	\$ 15,297,304
Accrued Payroll, Benefits, and Related Liabilities	674	-	-	674
Notes Payable	6,211,000	-	-	6,211,000
Due to Affiliate	4,367,244	8,724,616	(13,091,860)	-
Other Accrued Liabilities	24,272	-	-	24,272
Total Current Liabilities	17,220,805	17,404,305	(13,091,860)	21,533,250
<b>NET POSITION</b>				
Invested in Capital Assets Net of Related Debt	33,877	-	-	33,877
Unrestricted	2,669,102	2,333,389	-	5,002,491
Total Net Position	2,702,979	2,333,389	-	5,036,368
Total Liabilities and Net Position	\$ 19,923,784	\$ 19,737,694	\$ (13,091,860)	\$ 26,569,618

**WINNIE-STOWELL HOSPITAL DISTRICT**

**SUPPLEMENTAL STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>District</u>	<u>Nursing Homes</u>	<u>Eliminations</u>	<u>Total</u>
<b>OPERATING REVENUES:</b>				
Net Nursing Home Patient Service Revenue	\$ 7,473,369	\$ 40,001,128	\$ (12,874,908)	\$ 34,599,589
Other Revenue	10,705	670,065	-	680,770
Total Operating Revenues	<u>7,484,074</u>	<u>40,671,193</u>	<u>(12,874,908)</u>	<u>35,280,359</u>
<b>OPERATING EXPENSES:</b>				
Salaries	14,305	-	-	14,305
Employee Benefits	493	-	-	493
Professional Fees and Purchased Services	10,000	-	-	10,000
Nursing Home Expense	4,150,292	38,337,804	(12,874,908)	29,613,188
Indigent Care	310,323	-	-	310,323
Legal and Consulting Fees	529,512	-	-	529,512
Other Operating	1,386,244	-	-	1,386,244
Depreciation and Amortization	25,627	-	-	25,627
Total Operating Expenses	<u>6,426,796</u>	<u>38,337,804</u>	<u>(12,874,908)</u>	<u>31,889,692</u>
Operating Income (Loss)	1,057,278	2,333,389	-	3,390,667
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Sales Tax Revenue	661,342	-	-	661,342
Investment Income	966	-	-	966
Interest Expense	(24,272)	-	-	(24,272)
Other Non Operating	1,228	-	-	1,228
Total Nonoperating Revenues (Expenses)	<u>639,264</u>	<u>-</u>	<u>-</u>	<u>639,264</u>
Increase (Decrease) in Net Position	1,696,542	2,333,389	-	4,029,931
Net Position, Beginning of Year	<u>1,006,437</u>	<u>-</u>	<u>-</u>	<u>1,006,437</u>
Net Position, End of Year	<u>\$ 2,702,979</u>	<u>\$ 2,333,389</u>	<u>\$ -</u>	<u>\$ 5,036,368</u>