

Briefing Memorandum

To: Finance Committee, Board of Managers, Nueces County Hospital District

From: Jonny Hipp, Administrator

Date: October 27, 2026

Re: Annual audit of financial statements for the fiscal year ended September 30, 2026

Purpose

This memorandum informs the Finance Committee that the independent audit of the District's financial statements for the fiscal year ended September 30, 2026, is underway. It also explains the purposes of the audit and the District's obligation to present the results to required entities and its stakeholders. No action is requested at this time.

Audit Status

Adamson & Company LLP/UHY LLP, the District's independent certified public accounting firm, began fieldwork on date to be arranged. District finance staff are providing the schedules, reconciliations, and supporting documents the auditors have requested. Adamson & Company LLP will be transitioning ownership to UHY LLP during the course of the audit.

Milestone	Target date
Engagement letter executed	September 16, 2026
Planning and interim fieldwork	In-progress
Year-end fieldwork	TBA
Draft report to management	TBA
Presentation to Finance Committee	February 23, 2027
Presentation to Board of Managers	February 23, 2027

The audit will cover the District's basic financial statements, related note disclosures, and required supplementary information.

Purposes of the Audit

The audit gives the Board and the public an independent opinion on whether the District's financial statements are fairly presented. It serves several specific purposes:

- **Independent opinion.** The auditors will state whether the financial statements are presented fairly, in all material respects, under generally accepted accounting principles set by the Governmental Accounting Standards Board (GASB).
- **Accountability for public funds.** As a political subdivision supported by property taxes, the District must show taxpayers how it collected and spent public money.
- **Internal controls and compliance.** Under *Government Auditing Standards*, the auditors will report on internal control over financial reporting and on compliance with laws, regulations, contracts, and grant agreements.
- **Medicaid and intergovernmental transfers.** The audit gives assurance on the District's Local Provider Participation Fund and the intergovernmental transfers it makes to HHSC.
- **Financing and creditworthiness.** Audited statements support the District's standing with bondholders, rating agencies, and lenders.
- **Management improvement.** Any findings or recommendations help management strengthen financial processes before the next fiscal year.

Obligation to Present to Stakeholders

Once the audit is complete, the Administrator must present the audited financial statements to the Board of Managers, Nueces County Commissioners Court, Health and Human Services Commission's Executive Commissioner, Comptroller of Public Accounts, EMMA (Electronic Municipal Market Access), if applicable, and make them available to stakeholders. The audit firm will present its results and required communications to the Finance Committee and then to the Board of Managers in their scheduled February 23, 2027 meetings.

The completed report will then go to the following stakeholders:

Stakeholder	How the report reaches them
Board of Managers	Copy of the audited report, as required by Texas Health and Safety Code, §281.092 via presentation on February 23, 2027
Nueces County Commissioners Court	Copy of the audited report, as required by Texas Health and Safety Code, §281.092 via electronic mail transmittal
Taxpayers and the public	Posted on the District's website ¹ and available under the Texas Public Information Act
Texas Health and Human Services Commission	Copy of the audited report, as required by Texas Health and Safety Code, §281.092 via United States Postal Service
Comptroller of Public Accounts	Copy of the audited report, as required by Texas Health and Safety Code, §281.092 via United States Postal Service
Bondholders and rating agencies	Continuing disclosure filing on EMMA, if applicable; no current bond covenant reporting required

¹ https://www.nchdcc.org/public_notices/finance.php

Action Requested

None. This memorandum is for information only. Staff will update the Committee on the audit's progress and will schedule the auditor's presentation once the draft report is complete.

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