

Memorandum

To: Board of Managers
From: Jonny F. Hipp, Administrator
Date: May 22, 2018
Re: Achievement of FY 2017 Performance Goals

Board of Managers:

Pursuant to the current Employment Agreement with the Nueces County Hospital District ("District"), as amended ("Agreement"), this is to notify the Board of Managers ("Board") that certain Performance Goals relating to the District's fiscal year ended September 30, 2017 ("Fiscal Year 2017"), as set forth in the Agreement, were achieved by the Administrator and additionally to call the Board's attention to the Administrator's Goal Achievement payment that is due to occur as a result thereof. The related information and supporting details are provided below and attached.

For your reference, I have attached a copy of the Agreement and its sole amendment (see Exhibit #1). The Agreement's Performance Goal Pay terms are set forth in Paragraph 3(b) (page 2) and the particular Performance Goals and associated pay amounts are located at the back of the Agreement and identified there as Attachment "A." Prior to the disbursement of any Goal Achievement Pay, the Agreement requires that the Board receive from the Administrator relevant documents supporting the Administrator's achievement of the particular Performance Goals.

Relating to the above and the District's Fiscal Year 2017, two (2) of the Administrator's Performance Goals from Attachment 'A' were achieved during that fiscal period as described below:

(1) Goal #4 ("**Deliver controllable expense savings compared to budget for fiscal year ending September 30, 2017**") was attained. The documentation supporting accomplishment of this Goal is the attached accounting worksheet (see Exhibit #2) showing the Hospital District realized **\$2,044,984.36** in expense savings compared to budget adjusted for Agreement-defined uncontrollable expenses, as amended. The above worksheet is based on the District's audited financial statements for the Fiscal Year 2017; the worksheet was independently compiled by Donna Littlefield, Director

of Accounting and independently reviewed by Dena Bruni, Assistant Administrator; and

(2) Goal #8 (“**Achieve uneventful financial audit and no significant management letter related comments for fiscal year ended September 30, 2017**”) was additionally attained. The documentation supporting accomplishment of this Goal are copies of the (1) *Independent Auditor’s Report* (see Exhibit #3); and (2) *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 Governmental Auditing Standards* (see Exhibit #4), both documents issued by Collier, Johnson & Woods, P.C., the Hospital District’s independent auditors, and dated January 31, 2018.

Thank you.

Joan F. Wipp

Exhibit #1

**NUECES COUNTY HOSPITAL DISTRICT
ADMINISTRATOR EMPLOYMENT AGREEMENT
October 1, 2014 – September 30, 2018**

This Administrator Employment Agreement (the "Agreement") is made by and between the Board of Managers (the "Board") of the Nueces County Hospital District, a political subdivision of the State of Texas (the "Hospital District"), and Jonny F. Hipp, the person appointed by the Board to be the Administrator who is qualified for such by training and experience (the "Administrator"). The Board and Administrator, for and in consideration of the terms and conditions hereinafter set forth in this Agreement and pursuant to Texas Health and Safety Code, §281.026 hereby agree as follows:

W I T N E S S E T H:

1. **Employment.** The Board, by and on behalf of the Hospital District, does hereby employ Administrator as the District's Administrator and Chief Executive Officer, and the Administrator hereby accepts such employment. It is the intent of the parties hereto that the Administrator's employment be governed by this Agreement and the District's policies regarding compensation, separation from employment, and employment-at-will shall not be applicable to the Administrator. Except as stated above and in Paragraphs 3-5 below, the District's employee policies shall be applicable to the Administrator.

2. **Duties and Performance Goals.** Subject to the Board's policies, limitations, and reasonable direction, the Administrator shall perform those duties required by the Board, including but not limited to, supervision of the work and activities of the Hospital District and general direction of the District's affairs. The Administrator shall perform those duties required of an administrator by Texas Health and Safety Code, Chapter 281. The Administrator shall assure the Hospital District complies with the applicable provisions of Texas Health and Safety Code, Chapters 61 and 281 and other applicable laws. The Administrator shall serve as Secretary of the Board as provided in Texas Health and Safety Code, §281.023(b). In addition, the Administrator shall endeavor to reasonably achieve the Performance Goals attached hereto and identified as Attachment "A." The Administrator is hereby authorized to plan, organize, manage, supervise, and direct use of the District's personnel, equipment, and other resources in the performance of his duties and achievement of the Performance Goals under this Agreement. The Administrator shall be permitted to undertake teaching activities provided that those activities do not interfere with the performance of his duties under this Agreement.

3. **Compensation.** The Administrator shall be entitled to the following payments (collectively, the "Compensation"):

(a) **Salary.** Considering the level of expertise, education, and experience required of the Administrator by the Board, the adequacy of which is hereby confirmed by the Board, and the Board's desire to fairly compensate the Administrator for such qualities, the Board has surveyed other similarly-situated hospital districts in the State concerning the salary and benefits paid for positions comparable with that of the Administrator. The Board,

acknowledging and considering (i) the Administrator's performance in carrying out the requirements of prior employment agreements with the District; (ii) the Administrator's achievement of prior Performance Goals; (iii) the Administrator's doctoral education, collectively all of which have directly benefited and continue to benefit the District and the taxpayers; (iv) the compensation and benefits paid and made available to administrators in similarly-situated hospital districts in the State; (v) the Board's desire that the Administrator be fairly compensated; (vi) that the greater than ever complexities of healthcare administration, quality, financing, and governmental regulations require the expertise of the Administrator; and (vii) the Board's desire to achieve consistency, stability and longevity in the Administrator's position, the Board hereby determines and agrees that the Hospital District shall pay the Administrator a salary amount of seven thousand three hundred eighty-four dollars and eighty cents (\$7,384.80) per biweekly pay period during the Term, subject to withholding taxes prescribed by applicable statutes and as additionally authorized by Administrator (the "Salary"). There shall be twenty-six (26) biweekly pay periods per calendar year and the Administrator's Salary shall be prorated for any partial employment period.

(b) **Performance Goal Pay.** The Board desires to achieve cost savings. Accordingly, the Board hereby determines and agrees that on or about each February 1st during the Term, the District shall, in addition to the Salary above, pay the Administrator a lump sum amount equal to the amount(s) associated with the Administrator's reasonable achievement of Performance Goal(s) set forth in Attachment "A", subject to withholding taxes prescribed by applicable statutes and as additionally authorized by Administrator (the "Goal Achievement Pay"). Prior to disbursement of any Goal Achievement Pay, the Administrator shall notify the Board in writing as to achievement of the specific Performance Goals being relied upon for that particular year's Goal Achievement Pay and provide the Board relevant supporting documentation.

4. **Benefits.** The Administrator shall be entitled to receive the same employee benefits, commensurate with his past service considering his original hire date, as other employees of the Hospital District (the "Common Benefits"). In addition to the Common Benefits, the Administrator shall be entitled to the following supplemental benefits during the Term (the "Supplemental Benefits"):

(a) **Automobile Allowance.** To facilitate performance of Administrator's duties and achievement of his Performance Goals under this Agreement, the Hospital District agrees to pay the Administrator an allowance of two hundred thirty-five dollars and zero cents (\$235.00) per biweekly pay period for use of his personal automobile within the District's boundaries (the "Automobile Allowance"). The Automobile Allowance shall be prorated for any partial employment period.

(b) **Telephone Allowance.** To facilitate performance of Administrator's duties and achievement of his Performance Goals under this Agreement, the Hospital District agrees to pay the Administrator an allowance of fifty dollars and zero cents (\$50.00) per

biweekly pay period for use of his personal communications device (the "Telephone Allowance"). The Telephone Allowance shall be prorated for any partial employment period.

(c) **Retirement Contribution.** The Hospital District agrees to deposit into the District's Internal Revenue Code ("IRC"), Section 457(b) Deferred Compensation Plan (the "Deferred Compensation Plan") each calendar year for benefit of Administrator, an amount equal to the then current calendar year's annual IRC Section 457(b) contribution limit (the "Retirement Contribution"). The Retirement Contribution shall be prorated based on twenty-six (26) biweekly pay periods per calendar year and shall be further prorated for any partial employment period. All Retirement Contribution deposits shall be fully and immediately vested in the Administrator and are freely transferrable by the Administrator in the event the Administrator is no longer employed by the Hospital District, subject to the requirements of IRC Section 457(b). The Administrator shall not be restricted from depositing additional personal contributions into the Deferred Compensation Plan. In consideration of this Retirement Contribution provided by the District, the Administrator agrees he will not participate in the District's IRC, Section 403(b) Tax-Sheltered Annuity Plan.

(d) **Employee Insurance Premiums.** The Hospital District agrees to pay up to one hundred twenty-five dollars and zero cents (\$125.00) per biweekly pay period toward the employee's portion of the Hospital District's health, dental, and vision insurance premiums for the Administrator and his children or family, as he shall determine for each insurance, and the Administrator is responsible for payment of any amounts in excess of that limit.

(e) **Expense Reimbursement.** The Hospital District shall reimburse Administrator for reasonable expenses incurred by him in the performance of his duties and achievement of his Performance Goals under this Agreement and his professional development, statutorily required training, and related activities upon written approval of the required number of Board Authorities as described below. Such expenses shall be categorized as those: (i) incurred while within Nueces County; (ii) incurred while outside of Nueces County; (iii) related to Administrator's professional development, statutorily required training, and related activities; and (iv) not covered by or in addition to categories (i)-(iii) herein.

(i) Reasonable reimbursable expenses incurred while within Nueces County shall include business meals, telephone calls, parking, dues for professional organizations, and any other reasonably incurred business-related expenses. The aggregate amount of the Administrator's professional organizations-related dues expenses shall not exceed four hundred fifty dollars and zero cents (\$450.00) per Hospital District fiscal year and the Administrator is responsible for payment of any dues in excess of that amount;

(ii) Reasonable reimbursable expenses incurred while outside of Nueces County shall include automobile mileage, airfare, toll charges, overnight accommodations, business meals, personal meals, taxicab and shuttle fares, limousine fares, bus fares, train fares, rental car, parking, office supplies, photocopying expense, overnight letters,

telephone calls, facsimiles and any other reasonably incurred business-related expenses;

(iii) Reasonable reimbursable expenses for the Administrator's professional development, statutorily required training, and related activities shall include annual dues, registration and course fees, mileage, airfare, toll charges, overnight accommodations, personal meals, taxicab and shuttle fares, limousine fares, bus fares, train fares, rental car, parking and any other reasonably incurred development and training related expenses, including fees, course materials, books, publications, videos, software, and other similar and related materials. The aggregate amount of the Administrator's professional development shall not exceed five thousand dollars and zero cents (\$5,000.00) per biennium and the Administrator is responsible for payment of any amounts in excess of that limit; and

(iv) Any other additional, reasonable and necessary expenses incurred in the performance of or in support of Administrator's duties and Performance Goals not otherwise identified in Paragraphs 4(e)(i) and (ii) above, or as otherwise approved by the Board Authorities as set forth herein.

For purposes of this Agreement, the term "Board Authorities" shall mean the Board's Chairman, Vice Chairman, Finance Committee Chairman, and Planning Committee Chairman. Prior to reimbursement of any of the Administrator's expenses incurred under Paragraphs 4(e)(i)-(iv) above, said expenses (including appropriate detailed receipts) shall be submitted for review by and written approval of any two (2) of the Board Authorities within fifteen (15) days of incurrence. The Board Authorities shall consider reasonableness and practicality when reviewing Administrator's expenses and approve or disapprove his submissions within five (5) working days. Following approval by the Board Authorities above, the Hospital District shall reimburse Administrator within five (5) working days.

Reimbursement of Administrator's expenses under Paragraphs 4(e)(ii) and (iii) above shall be limited as follows. The aggregate amount of the Administrator's personal meal expenses shall not exceed fifty-five dollars and zero cents (\$55.00) per day (excluding tips, which should not exceed fifteen percent [15%] of the bill) and the Administrator is responsible for payment of any personal meal expenses in excess of that limit. To the extent possible, Administrator's airfare expenses should not exceed Coach fare. Administrator's automobile mileage reimbursement shall be based on actual mileage incurred and paid at the Internal Revenue Service standard mileage rate for business miles in effect at the time the mileage was incurred. The Hospital District shall not reimburse Administrator for any expenses not specifically described and permitted above, including alcoholic beverages and entertainment.

(f) **Provision of Indemnification and Cost of Defense.** To the extent allowed by law, and if the Administrator was acting within the course and scope of his employment with the Hospital District, excluding any criminal acts, the District agrees to hold harmless and indemnify Administrator from any and all demands, claims, suits, actions, legal proceedings, and defense arising from the performance of his duties, both past and present,

which are or expected to be brought against him, either in his individual capacity, or in his official capacity as agent and employee of the Board and/or Hospital District. However, in no case will any individual Board member or members be considered personally liable for indemnifying Administrator against such demands, claims, suits, actions, legal proceedings, and defense. This provision shall survive termination of this Agreement.

(g) **Payment of Performance Bond.** To assure compliance with the performance bond requirement of Texas Health and Safety Code, §281.026(d), the Hospital District agrees to arrange for and pay the cost of such bond.

5. **Term and Termination.** The Administrator's term of employment shall be for four (4) years beginning October 1, 2014 and ending September 30, 2018 (the "Term"). Except for good cause, or for other than good cause as described below, a majority vote of the entire Board may terminate this Agreement not more than ninety (90) days and not less than sixty (60) days prior to the end of the Term upon written notice of such to the Administrator.

For good cause, or for other than good cause, the Board may terminate this Agreement upon sixty (60) days written notice of such to the Administrator. For purposes of this Agreement, the phrase "for good cause" shall mean: (i) the Administrator willfully breaches or habitually neglects the duties he is required to perform under terms of this Agreement; (ii) the Administrator refuses to obey reasonable Board directives; (iii) the Administrator commits clearly dishonest acts toward the Hospital District; and (iv) the Administrator is formally charged for any crime involving moral turpitude. The phrase "for other than good cause" shall mean: (i) occurrence of circumstances that make it impossible or impracticable for the business of the District to be continued; (ii) the death of the Administrator; (iii) the loss by Administrator of his legal capacity; (iv) the continued incapacity on the part of the Administrator to perform his duties for a continuous period of ninety (90) days, unless waived by the Board; and (v) the Administrator becomes permanently disabled because of sickness, physical or mental disability, or any other reason, such that it reasonably appears that he will be unable to perform his duties under this Agreement.

The Administrator may terminate this Agreement for any reason upon sixty (60) days written notice of such to the Board's Chairman.

Upon termination of this Agreement by either the Board or the Administrator as described in this Paragraph 5, the Administrator shall be entitled to the Compensation, Goal Achievement Pay, Common Benefits, and Supplemental Benefits, as provided for in this Agreement, that were earned prior to the effective date of the termination, computed pro rata up to and including the effective date of termination.

6. **Subsequent Employment.** During the one hundred eighty (180)-day period immediately following delivery of written notice of termination of this Agreement by the Administrator, he shall not consult to or be employed by any entity located in Nueces County,

Texas then under contract to the Hospital District to provide indigent health care. In the event the Board terminates this Agreement, or in the event any action is taken by the Board or any other body or entity to abolish, dissolve, or materially diminish the powers or duties of the Hospital District and the Administrator terminates this Agreement, there shall not be any form of subsequent employment constraint enforceable on the Administrator at any time.

7. **Severability.** If any provision contained in this Agreement is determined by a court of competent jurisdiction to be void, illegal or unenforceable, in whole or in part, then the other provisions contained herein shall remain in full force and effect as if the provision which was determined to be void, illegal, or unenforceable had not been contained herein.

8. **Amendment, Modification, and Waiver.** This Agreement may not be changed orally but only by written agreement signed by both parties. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by any party. This instrument contains the entire agreement of the Parties concerning employment and supersedes all prior and contemporaneous representations, understandings and agreements, either oral or in writing between the parties hereto with respect to the employment of the Administrator by the Board and all such prior or contemporaneous representations, understandings and arrangements, both oral and in written, are hereby terminated upon the beginning date of this Agreement.

9. **Governing Law and Venue.** Unless specifically provided otherwise, the parties intend that the laws of the State of Texas should govern the validity of the Agreement, the construction of its terms, and the interpretation of the rights and duties of the parties hereto. Venue for all matters arising from this Agreement or other related matters subject to the provisions herein relating to binding arbitration shall be in Nueces County, Texas.

10. **Attachments, Schedules, and Exhibits.** Attachments, schedules, and exhibits mean the attached documents setting out certain particulars of this Agreement and any replacement documents thereof. All attachments, schedules, and exhibits referred to in this Agreement are incorporated herein by reference and are hereby made part of this Agreement.

11. **Binding Arbitration.** In lieu of litigation, the parties agree that any dispute between them arising from this Agreement shall be submitted to binding arbitration. The parties shall share equally the fees and costs payable to the arbitrator. The award of the arbitrator may be entered in, and enforced through, any court of competent jurisdiction in Nueces County, Texas. Any action to enforce or vacate the obligation to arbitrate or to enforce or vacate an arbitrator's award shall be governed by state law. Unless agreed to in writing between the parties, there shall be no other court action.

IN WITNESS WHEREOF, the parties have hereunto undertaken this Agreement and executed it as of the 19th day of August 2014.

**NUECES COUNTY HOSPITAL DISTRICT
BOARD OF MANAGERS**
("Board" and "Hospital District")

By: 

Van Huseman, Chairman
Board of Managers

JONNY F. HIPPI
("Administrator")

By: 

Jonny F. Hipp

APPROVED AS TO FORM:


Wm DeWitt Alsup
Attorney

Attachment "A"

PERFORMANCE GOALS		
Goal	Description	Goal Achievement Pay
1	Deliver controllable expense* savings compared to budget for fiscal year ending September 30, 2014.	15% of savings, not to exceed \$47,500
2	Deliver controllable expense* savings compared to budget for fiscal year ending September 30, 2015.	15% of savings, not to exceed \$47,500
3	Deliver controllable expense* savings compared to budget for fiscal year ending September 30, 2016.	15% of savings, not to exceed \$47,500
4	Deliver controllable expense* savings compared to budget for fiscal year ending September 30, 2017.	15% of savings, not to exceed \$47,500
5	Achieve uneventful financial audit results and no significant management letter related comments for fiscal year ending September 30, 2014.	\$1,500
6	Achieve uneventful financial audit results and no significant management letter related comments for fiscal year ending September 30, 2015.	\$1,500
7	Achieve uneventful financial audit results and no significant management letter related comments for fiscal year ending September 30, 2016.	\$1,500
8	Achieve uneventful financial audit results and no significant management letter related comments for fiscal year ending September 30, 2017.	\$1,500

*For purposes of this Agreement and this Attachment "A," the term "controllable expense" shall mean total budgeted expenses for the identified fiscal year, less:

- appraisal district fees;
- tax assessor/collector fees;
- tax notice advertising;
- required advertising;
- required expenses;
- required training and related travel;
- indigent care payments;
- county healthcare services expenditures;
- county attorney salaries and benefits;
- attorney's fees and expenses and other legal expenses;
- expenses related to operation of the Texas Medicaid Section 1115 Waiver;
- expenses related to participation in the Texas Medicaid Section 1115 Waiver;
- intergovernmental transfers;

- expenses that are reimbursed;
- attorney's fees and expenses and other expenses related to modification or termination of existing transactions or creation and implementation of new transactions;
- litigation expense;
- settlements;
- prior year(s) controllable expenses;
- Administrator's Compensation, Goal Achievement Pay, and Supplemental Benefits;
- expenses associated with Memorial Medical Center;
- Memorial Medical Center cost report fees; and
- Memorial Medical Center professional liability and workers compensation costs and claims.

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Administrator Employment Agreement 2015-2018 (1).doc

**AMENDMENT NO. 1
TO
NUECES COUNTY HOSPITAL DISTRICT
ADMINISTRATOR EMPLOYMENT AGREEMENT
October 1, 2014 – September 30, 2018**

This Amendment No. 1 ("Amendment No. 1") to the Nueces County Hospital District Administrator Employment Agreement October 1, 2014 – September 30, 2018 entered on August 19, 2014 and made effective October 1, 2014 (the "Agreement") is made by and between the Board of Managers of the Nueces County Hospital District, a political subdivision of the State of Texas (the "Board") and Jonny F. Hipp, the person appointed by the Board to be the Administrator (the "Administrator") and amends the Agreement.

RECITALS

WHEREAS, the parties entered into the Agreement to set forth the terms of the Administrator's employment by the Board and pursuant to certain amendment provisions of the Agreement, the parties now desire to amend the Agreement to: (1) clarify the term "controllable expense" as described in Attachment "A" relating to goal achievement pay provided in Paragraph 3 relating to compensation; and (2) include an additional employee retirement plan option void of employer contributions in Paragraph 4 relating to benefits; and

WHEREAS, the parties desire that the terms of the Agreement not amended herein shall remain unchanged.

NOW, THEREFORE, in consideration of the premises and the undertakings herein contained relating to the Agreement, the parties hereby agree as follows:

1. The parties intended that unbudgeted, uncontrollable, extraordinary, and unanticipated expenses were to be excluded from the definition of "controllable expenses" in determining reasonable achievement of the Performance Goal(s) set forth in Attachment "A" of the Agreement. To clarify the term "controllable expense" and to properly direct classification of expenses, the asterisked (*) sentence shown in Attachment "A" is amended to read as follows:

"*For purposes of this Agreement and this Attachment "A," the term "controllable expenses" shall mean total expenses for the identified fiscal year, less unbudgeted, uncontrollable, extraordinary, and unanticipated expenses which may include those expenses listed below:".

[THIS SPACE INTENTIONALLY LEFT BLANK]



2. The parties agree that an employee retirement plan option void of employer matching contributions should be additionally available in the Agreement. Paragraph 4 is amended as follows:

a. Paragraph 4(c) is amended by deleting the last sentence in the Paragraph which removes the words, "In consideration of this Retirement Contribution provided by the District, the Administrator agrees he will not participate in the District's IRC, Section 403(b) Tax-Sheltered Annuity Plan."

b. Paragraph 4(h) is added to read as follows:

"Participation in 403(b) Tax-Sheltered Annuity Plan. The Hospital District agrees the Administrator may participate in the District's 403(b) Tax-Sheltered Annuity Plan, except that he shall not be eligible to receive any 403(b) Plan-related employer matching contributions considering the Retirement Contribution deposit in Paragraph 4(c)."

3. The terms of the Agreement not amended herein shall remain unchanged.

IN WITNESS WHEREOF, the parties hereto hereby execute this Amendment No. 1 to the Agreement as of the 9th day of September 2015.

NUECES COUNTY HOSPITAL DISTRICT
BOARD OF MANAGERS
("NCHD")

JONNY F. HIPPI
("Administrator")

By: 
Van Huseman, Chairman
Board of Managers

By: 
Jonny F. Hipp

APPROVED AS TO FORM:

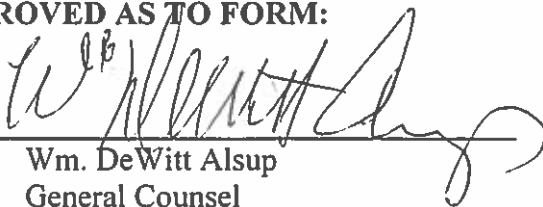
By: 
Wm. DeWitt Alsup
General Counsel

Exhibit #2

NUECES COUNTY HOSPITAL DISTRICT
ADMINISTRATOR'S EMPLOYMENT AGREEMENT ANALYSIS
GENERAL FUND EXPENDITURES - CONTROLLABLE BUDGET
FOR THE FISCAL YEAR ENDED 09/30/2017

	Actual FY2017 Expenses	Extraordinary Unbudgeted Expenses	Adjusted FY 2017 Actual Expenses	Budgeted Expenses	Variance	Notes
Expenditures:						
Intergovernmental Transfers	109,281,868.21	-	109,281,868.21	121,393,599.00	12,111,730.79	
County Healthcare Funding	5,051,332.94	-	5,051,332.94	5,561,230.00	509,897.06	
Salaries	1,238,557.03	-	1,238,557.03	1,440,295.00	201,737.97	
Benefits	668,833.41	-	668,833.41	680,451.00	11,617.59	
Legal & Professional Fees	700,509.59	-	700,509.59	1,372,100.00	671,590.41	
Purchased Services	410,952.91	-	410,952.91	463,650.00	52,697.09	
Tax Assessor/Appraisal	643,675.14	-	643,675.14	653,496.00	9,820.86	
Supplies & Materials	17,681.05	-	17,681.05	18,400.00	718.95	
Rent & Leases	143,902.48	-	143,902.48	151,100.00	7,197.52	
Repairs & Maintenance	2,270.42	-	2,270.42	5,500.00	3,229.58	
Utilities	31,474.65	-	31,474.65	37,000.00	5,525.35	
Insurance	21,553.50	-	21,553.50	25,000.00	3,446.50	
Administrative & General	46,857.13	-	46,857.13	61,250.00	14,392.87	
Capital Outlay	28,873.49	-	28,873.49	53,500.00	24,626.51	
Extraordinary	0.00	-	0.00	5,000.00	5,000.00	
Total Expenditures	118,288,341.95	0.00	118,288,341.95	131,921,571.00	13,633,229.05	
				15%	2,044,984.36	Max of \$47,500
				Total Due:	\$47,500.00	

Jonny Hipp
Administrator, Jonny Hipp 5/15/18

Compiled By:

Reviewed by:

Donna Littlefield
Donna Littlefield

Dena Bruni
Dena Bruni

Exhibit #3

INDEPENDENT AUDITOR'S REPORT

January 15, 2018

The Board of Managers of the
Nueces County Hospital District
Corpus Christi, Texas

Report on the Financial Statements

We have audited the financial statements of the governmental activities and each major fund of the Nueces County Hospital District, a component unit of Nueces County, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 audit. We conducted our audit 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 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Nueces County Hospital District as of September 30, 2017, and the respective changes in financial position and budgetary comparisons for the general fund, indigent care fund and tobacco settlement fund thereof for the year 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 3 through 16 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 made for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison information, listed in the table of contents on pages 47 through 49 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated January 15, 2018 on our consideration of the Nueces County Hospital District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 Nueces County Hospital District's internal control over financial reporting and compliance.

Collier, Johnson & Woods

Exhibit #4

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

January 15, 2018

The Board of Managers
Nueces County Hospital District
Corpus Christi, Texas

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 governmental activities and each major fund of the Nueces County Hospital District, a component unit of Nueces County, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report thereon dated January 15, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nueces County Hospital District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nueces County Hospital District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 noncompliance that required to be reported under *Government Auditing Standards*.

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 results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Collier, Johnson & Woods