



Annual Financial Report

For the Fiscal Year Ended September 30, 2020



Dedicated to the health of our community

Health Care District of Palm Beach County, Florida

Annual Financial Report
September 30, 2020

Prepared by
Finance Department



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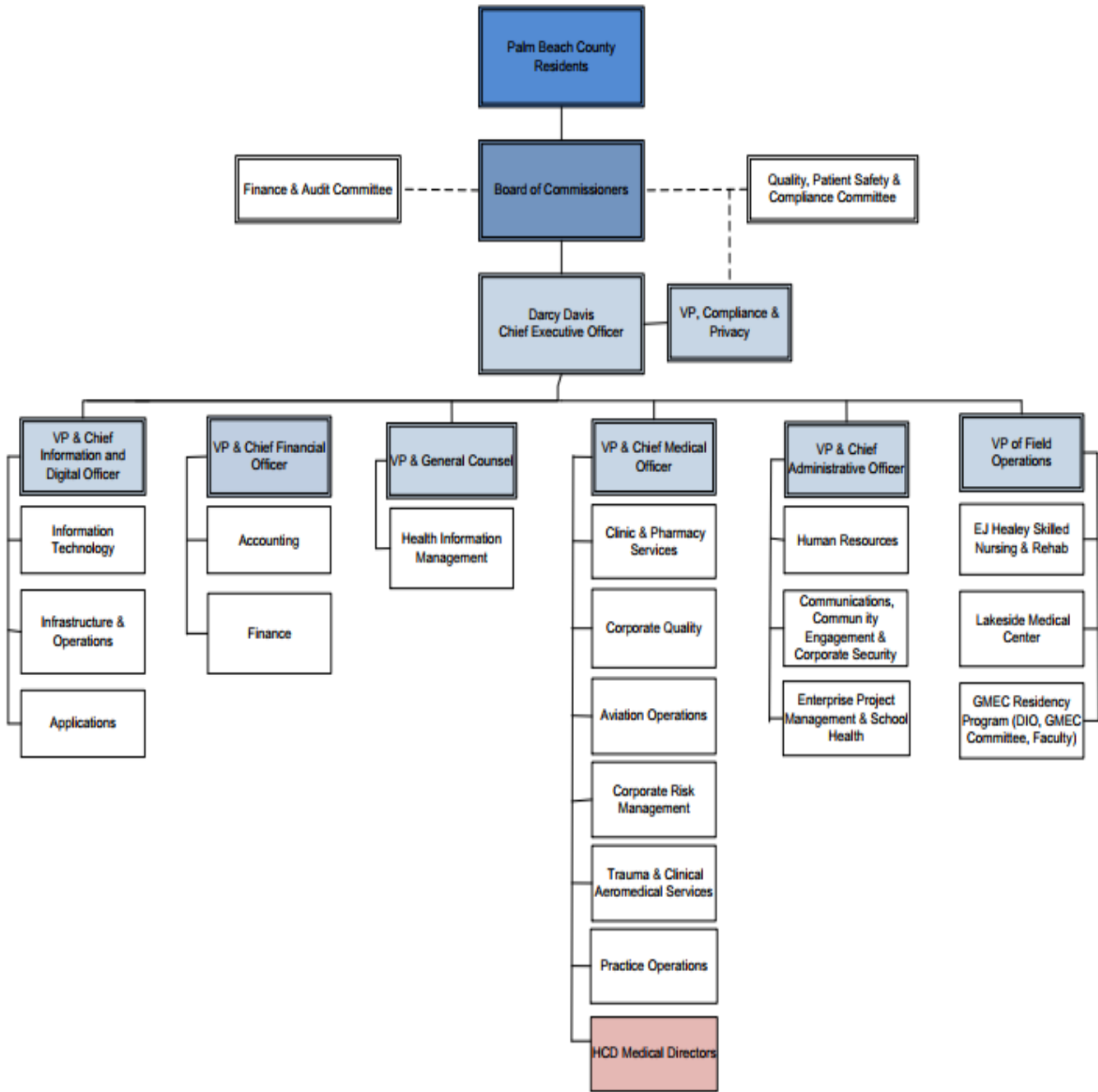
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HEALTH CARE DISTRICT OF PALM BEACH COUNTY, FLORIDA
ORGANIZATIONAL CHART



HEALTH CARE DISTRICT OF PALM BEACH COUNTY, FLORIDA

DISTRICT OFFICIALS

DISTRICT BOARD

Chair	Leslie B. Daniels
Vice-Chair	Nancy C. Banner, P.A
Secretary	Sean O'Bannon
Board Member	Alina Alonso, MD
Board Member	Cory Neering
Board Member	Edward G. Sabin
Board Member	Tammy Jackson-Moore

DISTRICT QUALITY, PATIENT SAFETY AND COMPLIANCE COMMITTEE

Chair	Alina Alonso, MD (Board member)
Committee Member	Dr. David Bohorquez
Committee Member	James Elder
Committee Member	Sharon Larson
Committee Member	Cory Neering (Board member)
Committee Member	Sean O'Bannon (Board member)
Committee Member	Mary Weeks
Committee Member	Kimberly Schulz

**HEALTH CARE DISTRICT OF PALM BEACH COUNTY, FLORIDA
DISTRICT OFFICIALS (CONTINUED)**

DISTRICT FINANCE AND AUDIT COMMITTEE

Chair	Edward Sabin (Board member)
Committee Member	Nancy Banner, P.A (Board member)
Committee Member	Joseph Bergeron
Committee Member	Michael Burke
Committee Member	Leslie B. Daniels (Board member)
Committee Member	Mark Marciano
Committee Member	Richard Sartory
Committee Member	Joseph Gibbons

DISTRICT OFFICERS

Chief Executive Officer	Darcy J. Davis
VP & General Counsel	Valerie Shahriari, Esq.
VP & Chief Financial Officer	Joel Snook
VP & Chief Medical Officer	Belma Andric, MD
VP of Field Operations	Karen Harris
VP & Chief Administrative Officer	Steven Hurwitz
VP & Chief Compliance Officer	Vacant
VP & Chief Information and Digital Officer	Patty Lavelly (Interim)



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Financial Section

Independent Auditor's Report

The Honorable Chairperson and Members of
the Health Care District Board
Health Care District of Palm Beach County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Health Care District of Palm Beach County, Florida (the District), as of and for the year ended September 30, 2020, 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 opinions 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. The financial statements of the discretely presented component unit Good Health Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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 District'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 District'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the District, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows 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 *budgetary comparison schedules and other post-employment benefits and pension schedules* as listed in the table of contents 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.

Management has omitted *management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's 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 District's internal control over financial reporting and compliance.

RSM US LLP

West Palm Beach, Florida
June 18, 2021



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Basic Financial Statements

Health Care District of Palm Beach County, Florida

Statement of Net Position
September 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Good Health Foundation, Inc.
Assets				
Cash and cash equivalents	\$ 31,329,085	\$ 18,652,595	\$ 49,981,680	\$ 443,904
Investments	112,897,536	-	112,897,536	-
Accounts receivable, net	399,912	5,783,416	6,183,328	4,219
Due from other governments	8,563,720	5,828,968	14,392,688	-
Internal balances	5,375,000	(5,375,000)	-	-
Inventories	47,384	666,280	713,664	-
Prepaid expenses and other current assets	6,562,246	779,849	7,342,095	-
Restricted cash	-	1,508,855	1,508,855	-
Capital assets:				
Capital assets not being depreciated	15,480,529	4,745,313	20,225,842	-
Depreciable capital assets, net of accumulated depreciation	5,048,826	52,733,102	57,781,928	-
Total assets	\$ 185,704,238	\$ 85,323,378	\$ 271,027,616	\$ 448,123
Deferred Outflows of Resources				
Deferred outflows related to pensions and OPEB	\$ 150,327	\$ 146,312	\$ 296,639	\$ -
Liabilities				
Accounts payable	\$ 7,796,159	\$ 2,266,354	\$ 10,062,513	\$ -
Accrued expenses	4,495,264	4,361,702	8,856,966	-
Medical benefits payable	1,749,185	-	1,749,185	-
Unearned revenue	2,783,000	16,694,026	19,477,026	-
Estimated third-party payor settlements	-	1,895,903	1,895,903	-
Noncurrent liabilities				
Due within one year:				
Compensated absences	529,686	952,158	1,481,844	-
Estimated self-insured liability	1,663,164	476,918	2,140,082	-
Deferred rent	-	7,548	7,548	-
Due in more than one year:				
Due to other governments	597,531	-	597,531	-
Compensated absences	1,987,779	3,573,215	5,560,994	-
Estimated self-insured liability	-	536,280	536,280	-
Other post-employment benefits	385,967	347,073	733,040	-
Net pension liability	-	275,517	275,517	-
Other long-term liabilities	-	166,718	166,718	-
Total liabilities	\$ 21,987,735	\$ 31,553,412	\$ 53,541,147	\$ -
Deferred Inflows of Resources				
Deferred inflows related to pensions and OPEB	\$ 2,163	\$ 116,211	\$ 118,374	\$ -
Net Position				
Net investment in capital assets	\$ 20,529,355	\$ 57,478,415	\$ 78,007,770	\$ -
Restricted for:				
Statutory reserves	-	1,500,000	1,500,000	-
Donor-restricted contributions	-	8,855	8,855	-
Unrestricted (deficit)	143,335,312	(5,187,203)	138,148,109	448,123
Total net position	\$ 163,864,667	\$ 53,800,067	\$ 217,664,734	\$ 448,123

See notes to financial statements.



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Health Care District of Palm Beach County, Florida

Statement of Activities

Fiscal Year Ended September 30, 2020

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 45,980,768	\$ 5,413,806	11,486,445	\$ -
Managed care	23,488,535	2,071,186	-	-
Trauma services	30,378,504	4,361,162	-	-
School health	22,162,144	1,954,227	-	-
Pharmacy services	5,093,081	449,101	-	-
Funding collaboratives	10,876,344	959,061	-	-
Total governmental activities	137,979,376	15,208,543	11,486,445	-
Business-type activities:				
Healey Center	23,295,442	8,737,698	9,936,652	37,271
Lakeside Medical Center	54,466,177	24,692,089	10,786,270	2,931,652
Primary Care Clinics	32,162,920	9,781,512	10,565,194	-
Total business-type activities	109,924,539	43,211,299	31,288,116	2,968,923
Total primary government	\$ 247,903,915	\$ 58,419,842	\$ 42,774,561	\$ 2,968,923
Component unit:				
Good Health Foundation	\$ 875,172	\$ -	\$ -	\$ -

General revenues:

Ad valorem taxes

Investment and other income

Transfers

Total general revenues and transfers

Change in net position

Net position—beginning

Net position—ending

See notes to financial statements.

Net (Expenses)/Revenues and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Good Health Foundation, Inc.
\$ (29,080,517)	\$ -	\$ (29,080,517)	\$ -
(21,417,349)	-	(21,417,349)	-
(26,017,342)	-	(26,017,342)	-
(20,207,917)	-	(20,207,917)	-
(4,643,980)	-	(4,643,980)	-
(9,917,283)	-	(9,917,283)	-
(111,284,388)	-	(111,284,388)	-
-	(4,583,821)	(4,583,821)	-
-	(16,056,166)	(16,056,166)	-
-	(11,816,214)	(11,816,214)	-
-	(32,456,201)	(32,456,201)	-
\$ (111,284,388)	\$ (32,456,201)	\$ (143,740,589)	\$ -

\$ (875,172)

139,422,224	-	139,422,224	-
7,135,516	23,563	7,159,079	97,092
(22,659,153)	22,659,153	-	-
123,898,587	22,682,716	146,581,303	97,092
12,614,199	(9,773,485)	2,840,714	(778,080)
151,250,468	63,573,552	214,824,020	1,226,203
\$ 163,864,667	\$ 53,800,067	\$ 217,664,734	\$ 448,123

Health Care District of Palm Beach County, Florida

Governmental Funds

Balance Sheet

September 30, 2020

	Major Funds			Total
	General	Medicaid	Capital	Governmental
	Fund	Match Fund	Projects Fund	Funds
Assets				
Cash and cash equivalents	\$ 4,099,795	\$ 117,376	\$ 22,787,765	\$ 27,004,936
Investments	112,897,536	-	-	112,897,536
Patient accounts receivable, net	399,912	-	-	399,912
Due from other governments	8,072,054	491,666	-	8,563,720
Due from other funds	-	-	5,375,000	5,375,000
Inventories	47,384	-	-	47,384
Prepaid items and other current assets	6,112,246	-	-	6,112,246
Total assets	\$ 131,628,927	\$ 609,042	\$ 28,162,765	\$ 160,400,734
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 6,713,138	\$ -	\$ 1,083,021	\$ 7,796,159
Accrued expenditures	4,495,264	-	-	4,495,264
Medical benefits payable	1,749,185	-	-	1,749,185
Unearned revenue	2,783,000	-	-	2,783,000
Due to other governments	597,531	-	-	597,531
Total liabilities	16,338,118	-	1,083,021	17,421,139
Deferred inflows – unavailable revenues	2,693,737	-	-	2,693,737
Fund balances:				
Nonspendable:				
Inventories	47,384	-	-	47,384
Prepaid items	5,369,481	-	-	5,369,481
Assigned to:				
Subsequent year's budget	51,900,000	-	-	51,900,000
Capital projects	-	-	27,079,744	27,079,744
Medicaid match	-	609,042	-	609,042
Unassigned	55,280,207	-	-	55,280,207
Total fund balances	112,597,072	609,042	27,079,744	140,285,858
Total liabilities and fund balances	\$ 128,935,190	\$ 609,042	\$ 28,162,765	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the balance sheet of the governmental funds				20,529,355
Long-term liabilities and related deferred inflows and outflows are not due and payable in the current period and therefore are not reported in the governmental funds:				
Compensated absences				(2,517,465)
Other post-employment benefit (OPEB) liabilities				(385,967)
Net deferred inflows for pensions and OPEB				148,164
Receivables not available to pay for current period expenditures are reported as unavailable revenue in the funds.				2,693,737
An internal service fund is used by the District to charge the costs of health insurance premiums to individual funds. The assets and liabilities of the internal service fund are included in governmental activities				3,110,985
Total net position related to governmental activities				\$ 163,864,667

See notes to financial statements.



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Health Care District of Palm Beach County, Florida

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended September 30, 2020

	Major Funds			Total
	General	Medicaid	Capital	Governmental
	Fund	Match Fund	Projects Fund	Funds
Revenues:				
Ad valorem taxes	\$ 139,422,224	\$ -	\$ -	\$ 139,422,224
Intergovernmental	3,051,525	5,900,000	-	8,951,525
Charges for services	1,682,428	-	-	1,682,428
Investment and other income	7,085,736	1,018	48,762	7,135,516
Total revenues	151,241,913	5,901,018	48,762	157,191,693
Expenditures:				
Current:				
General government	20,836,951	17,103,798	-	37,940,749
Managed care	21,694,529	-	-	21,694,529
Trauma services	28,058,256	-	-	28,058,256
School health	20,469,445	-	-	20,469,445
Pharmacy services	4,704,083	-	-	4,704,083
Funding collaboratives	10,045,631	-	-	10,045,631
Capital outlay	-	-	18,765,870	18,765,870
Total expenditures	105,808,895	17,103,798	18,765,870	141,678,563
Revenues over (under) expenditures	45,433,018	(11,202,780)	(18,717,108)	15,513,130
Other financing sources (uses):				
Transfers in	-	11,202,780	21,796,852	32,999,632
Transfers out	(55,658,785)	-	-	(55,658,785)
Total other financing sources (uses)	(55,658,785)	11,202,780	21,796,852	(22,659,153)
Net change in fund balances	(10,225,767)	-	3,079,744	(7,146,023)
Fund balances—beginning	122,822,839	609,042	24,000,000	147,431,881
Fund balances—ending	\$ 112,597,072	\$ 609,042	\$ 27,079,744	\$ 140,285,858

See notes to financial statements.

Health Care District of Palm Beach County, Florida

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Fiscal Year Ended September 30, 2020**

Net change in governmental fund balances	\$	(7,146,023)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives:

Expenditures for capital assets	\$	16,562,549	
Less current year depreciation		<u>(979,292)</u>	15,583,257

Revenues that are earned but not received within the District's availability period are recognized in the statement of activities when earned and subsequently in the governmental fund financial statements when they become available. The net difference is recorded as a reconciling item.

2,693,737

Compensated absences:

Governmental funds require recognition of a liability for compensated absences only if payable to employees who terminated their employment at the end of the fiscal year. This will result in a difference between the net change in governmental fund balances and the change in net position for governmental activities.

(293,741)

Other postemployment benefits (OPEB):

Some expenses reported in the statement of activities are not reported in the governmental funds because they have no effect on current financial statements.

(181,721)

The changes in deferred inflows and outflows for pensions and OPEB are not reported in the fund statements and the net effect is to increase net position.

148,535

An internal service fund is used by the District to charge the costs of health insurance premiums to individual funds. The increase in net position of the internal service fund is reported with governmental activities.

1,810,155

Change in net position of governmental activities	\$	<u><u>12,614,199</u></u>
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See notes to financial statements.



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Health Care District of Palm Beach County, Florida

**Proprietary Funds
Statement of Net Position
September 30, 2020**

	Business-Type Activities—Enterprise Funds					Governmental Activities
	Major Funds		Nonmajor Fund			
	Healey Center Fund	Lakeside Medical Center Fund	Primary Care Clinics Fund	Healthy Palm Beaches Fund	Total	Health Insurance Internal Service Fund
Assets						
Current assets:						
Cash and cash equivalents	\$ 1,993,198	\$ 14,589,494	\$ 654,798	\$ 1,415,105	\$ 18,652,595	\$ 4,324,149
Patient accounts receivable, net	792,191	3,182,452	1,808,773	-	5,783,416	-
Due from other governments	758,333	102,193	4,968,442	-	5,828,968	-
Inventories	-	666,280	-	-	666,280	-
Prepaid expenses and other current assets	67,882	495,174	169,605	47,188	779,849	450,000
Total current assets	3,611,604	19,035,593	7,601,618	1,462,293	31,711,108	4,774,149
Noncurrent assets:						
Restricted cash	8,855	-	-	1,500,000	1,508,855	-
Capital assets:						
Land	3,971,465	-	-	-	3,971,465	-
Construction in progress	15,426	758,422	-	-	773,848	-
Depreciable capital assets, net of accumulated depreciation	14,016,401	35,657,838	3,058,863	-	52,733,102	-
Total noncurrent assets	18,012,147	36,416,260	3,058,863	1,500,000	58,987,270	-
Total assets	\$ 21,623,751	\$ 55,451,853	\$ 10,660,481	\$ 2,962,293	\$ 90,698,378	\$ 4,774,149
Deferred Outflows of Resources						
Deferred outflows related to pensions and OPEB	\$ 112,870	\$ 13,243	\$ 20,199	\$ -	\$ 146,312	\$ -
Liabilities						
Current liabilities:						
Accounts payable	\$ 193,480	\$ 1,435,256	\$ 637,618	\$ -	\$ 2,266,354	\$ -
Accrued salaries and benefits	1,041,436	1,655,750	1,664,516	-	4,361,702	-
Unearned grant revenue – grants	-	15,601	81,565	-	97,166	-
Unearned grant revenue – CARES Act Funding	-	16,596,860	-	-	16,596,860	-
Estimated third-party payor settlements	55,950	1,839,953	-	-	1,895,903	-
Accrued compensated absences	244,244	411,649	296,265	-	952,158	-
Estimated self-insured liability	54,585	383,438	38,895	-	476,918	1,663,164
Deferred rent	-	2,511	5,037	-	7,548	-
Due to other funds	-	-	5,375,000	-	5,375,000	-
Total current liabilities	1,589,695	22,341,018	8,098,896	-	32,029,609	1,663,164
Noncurrent liabilities:						
Accrued compensated absences, less current portion	916,589	1,544,820	1,111,806	-	3,573,215	-
Estimated self-insured liability, less current portion	51,209	440,399	44,672	-	536,280	-
Other long-term liabilities and leases payable	-	28,408	138,310	-	166,718	-
Other postemployment benefits liabilities (OPEB)	120,650	161,956	64,467	-	347,073	-
Net pension liability	275,517	-	-	-	275,517	-
Total Noncurrent liabilities	1,363,965	2,175,583	1,359,255	-	4,898,803	-
Total liabilities	\$ 2,953,660	\$ 24,516,601	\$ 9,458,151	\$ -	\$ 36,928,412	\$ 1,663,164
Deferred Inflows of Resources						
Deferred inflows related to pensions and OPEB	\$ 102,110	\$ 13,627	\$ 474	\$ -	\$ 116,211	\$ -
Net Position						
Net investment in capital assets	\$ 18,003,292	\$ 36,416,260	\$ 3,058,863	\$ -	\$ 57,478,415	\$ -
Restricted for statutory reserves	-	-	-	1,500,000	1,500,000	-
Restricted for donor contributions	8,855	-	-	-	8,855	-
Unrestricted (deficit)	668,704	(5,481,392)	(1,836,808)	1,462,293	(5,187,203)	3,110,985
Total net position	\$ 18,680,851	\$ 30,934,868	\$ 1,222,055	\$ 2,962,293	\$ 53,800,067	\$ 3,110,985

See notes to financial statements.

Health Care District of Palm Beach County, Florida

Proprietary Funds

Statement of Revenues, Expenses and Changes in Net Position

Fiscal Year Ended September 30, 2020

	Business-Type Activities—Enterprise Funds					Governmental Activities
	Major Funds		Nonmajor Fund			
	Healey Center Fund	Lakeside Medical Center Fund	Primary Care Clinics Fund	Healthy Palm Beaches Fund	Total	Health Insurance Internal Service Fund
Operating revenues:						
Net patient service revenues	\$ 8,722,487	\$ 24,519,989	\$ 9,200,825	\$ -	\$ 42,443,301	\$ -
Charges for services	-	-	-	-	-	15,336,269
Other operating revenues, net	15,211	172,100	580,687	-	767,998	-
Total operating revenues	8,737,698	24,692,089	9,781,512	-	43,211,299	15,336,269
Operating expenses:						
General services	7,680,704	4,913,555	1,176,909	-	13,771,168	-
Nursing services	10,892,819	15,475,032	-	-	26,367,851	-
Medical services	644,848	11,971,171	22,807,978	-	35,423,997	-
Insurance claims, net of recoveries	-	-	-	-	-	12,635,770
General and administrative services	3,134,830	19,018,707	7,941,143	-	30,094,680	890,344
Depreciation	942,241	3,087,712	236,890	-	4,266,843	-
Total operating expenses	23,295,442	54,466,177	32,162,920	-	109,924,539	13,526,114
Operating (loss) income	(14,557,744)	(29,774,088)	(22,381,408)	-	(66,713,240)	1,810,155
Nonoperating revenues (expenses):						
Grant revenue	9,100,001	1,774,141	10,337,832	-	21,211,974	-
Cares Act revenue	836,651	9,012,129	227,362	-	10,076,142	-
Investment income	5,791	11,044	-	-	16,835	-
Income (loss) on disposal of capital assets	9,891	(862)	(2,301)	-	6,728	-
Total nonoperating revenues	9,952,334	10,796,452	10,562,893	-	31,311,679	-
(Loss) income before capital contributions and transfers	(4,605,410)	(18,977,636)	(11,818,515)	-	(35,401,561)	1,810,155
Capital contributions	37,271	2,931,652	-	-	2,968,923	-
Transfers in	3,254,172	8,155,669	11,249,312	-	22,659,153	-
Net (decrease) increase in net position	(1,313,967)	(7,890,315)	(569,203)	-	(9,773,485)	1,810,155
Total net position—beginning	19,994,818	38,825,183	1,791,258	2,962,293	63,573,552	1,300,830
Total net position—ending	\$ 18,680,851	\$ 30,934,868	\$ 1,222,055	\$ 2,962,293	\$ 53,800,067	\$ 3,110,985

See notes to financial statements.

Health Care District of Palm Beach County, Florida

Proprietary Funds

Statement of Cash Flows

Fiscal Year Ended September 30, 2020

	Business-Type Activities—Enterprise Funds						Governmental Activities
	Major Funds			Nonmajor fund			
	Healey Center Fund	Lakeside Medical Center Fund	Primary Care Clinics Fund	Healthy Palm Beaches Fund	Total	Health Insurance Internal Service Fund	
Cash flows from operating activities:							
Receipts from patients, third-party payors, and other funds	\$ 8,189,393	\$ 23,954,481	\$ 8,460,009	\$ -	\$ 40,603,883	\$ 15,321,189	
Payments to employees	(7,076,918)	(24,469,413)	(21,541,331)	-	(53,087,662)	-	
Payments to suppliers and service providers	(14,594,019)	(26,067,973)	(3,685,850)	(5,253)	(44,353,095)	(13,526,114)	
Other receipts	15,211	172,100	580,687	-	767,998	-	
Net cash (used in) provided by operating activities	(13,466,333)	(26,410,805)	(16,186,485)	(5,253)	(56,068,876)	1,795,075	
Cash flows from noncapital financing activities:							
Grants received	9,100,001	1,878,360	5,992,313	-	16,970,674	-	
Cares Act funding	836,651	25,609,289	227,362	-	26,673,302	-	
Transfers in from other funds	3,254,172	8,969,322	11,249,312	-	23,472,806	-	
Net cash provided by noncapital financing activities	13,190,824	36,456,971	17,468,987	-	67,116,782	-	
Cash flows from capital and related financing activities:							
Acquisition of capital assets	-	-	(1,354,523)	-	(1,354,523)	-	
Payments of principal and interest on capital leases	-	(9,779)	-	-	(9,779)	-	
Net cash used in capital and related financing activities	-	(9,779)	(1,354,523)	-	(1,364,302)	-	
Cash flows from investing activities:							
Interest earnings received	5,791	11,044	-	-	16,835	-	
Net cash provided by investing activities	5,791	11,044	-	-	16,835	-	
Net (decrease) increase in cash and cash equivalents	(269,718)	10,047,431	(72,021)	(5,253)	9,700,439	1,795,075	
Cash and cash equivalents—beginning	2,271,771	4,542,063	726,819	2,920,358	10,461,011	2,529,074	
Cash and cash equivalents—ending	\$ 2,002,053	\$ 14,589,494	\$ 654,798	\$ 2,915,105	\$ 20,161,450	\$ 4,324,149	
Cash and cash equivalents	\$ 1,993,198	\$ 14,589,494	\$ 654,798	\$ 1,415,105	\$ 18,652,595	\$ 4,324,149	
Restricted cash	8,855	-	-	1,500,000	1,508,855	-	
Total cash and cash equivalents	\$ 2,002,053	\$ 14,589,494	\$ 654,798	\$ 2,915,105	\$ 20,161,450	\$ 4,324,149	

(Continued)

Health Care District of Palm Beach County, Florida
Proprietary Funds
Statement of Cash Flows (Continued)
Fiscal Year Ended September 30, 2020

	Business-Type Activities—Enterprise Funds					Governmental Activities	
	Major Funds		Nonmajor Fund				
	Healey Center Fund	Lakeside Medical Center Fund	Primary Care Clinics Fund	Healthy Palm Beaches Fund	Total	Health Insurance Internal Service Fund	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ (14,557,744)	\$ (29,774,088)	\$ (22,381,408)	\$ -	\$ (66,713,240)	\$	1,810,155
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:							
Provision for bad debts	-	15,224,452	4,486,018	-	19,710,470	-	-
Depreciation	942,241	3,087,712	236,890	-	4,266,843	-	-
Changes in assets and liabilities:							
Patient accounts receivable	198,829	(15,693,266)	(5,260,179)	-	(20,754,616)	-	-
Due from other governments	(758,333)	-	-	-	(758,333)	-	-
Inventories	-	50,079	-	-	50,079	-	-
Prepaid expenses and other current assets	(4,945)	(111,518)	(40,159)	-	(156,622)	-	-
Accounts and medical benefits payable	43,362	(296,998)	50,198	(5,253)	(208,691)	-	-
Accrued salaries and benefits	438,934	794,528	812,147	-	2,045,609	-	-
Due to other funds	-	-	5,375,000	-	5,375,000	-	-
Unearned grant revenue	-	-	33,345	-	33,345	-	-
Estimated third-party payor liabilities	26,410	(96,694)	-	-	(70,284)	-	-
Accrued compensated absences	147,663	402,816	445,738	-	996,217	-	-
Estimated self-insured liability	40,061	8,465	43,413	-	91,939	(15,080)	-
OPEB and related deferred inflows/outflows	(3,233)	(4,910)	8,762	-	619	-	-
Net pension liability and related deferred inflows/outflows	20,422	-	-	-	20,422	-	-
Deferred rent	-	(1,383)	3,750	-	2,367	-	-
Net cash (used in) provided by operating activities	\$ (13,466,333)	\$ (26,410,805)	\$ (16,186,485)	\$ (5,253)	\$ (56,068,876)	\$	1,795,075
Supplemental disclosure of noncash capital and related financing activities:							
Capital asset transfers/adjustments	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000	\$	-
Capital assets contributed by the District	37,271	2,117,999	-	-	2,155,270	-	-
	\$ 47,271	\$ 2,117,999	\$ -	\$ -	\$ 2,165,270	\$	-

See notes to financial statements.

Health Care District of Palm Beach County, Florida

Fiduciary Funds

Statement of Fiduciary Net Position

September 30, 2020

	Pension Trust Fund	Resident Agency Fund
Assets		
Cash and cash equivalents	\$ -	\$ 70,459
Insurance company contracts	72,825,389	-
Total assets	\$ 72,825,389	\$ 70,459
Liabilities		
Accounts payable	\$ -	\$ 70,459
Net Position		
Net position restricted for pension benefits	\$ 72,825,389	\$ -

See notes to financial statements.

Health Care District of Palm Beach County, Florida

Pension Trust Fund

Statement of Changes in Fiduciary Net Position

Fiscal Year Ended September 30, 2020

Additions:	
Employer contributions	\$ 6,467,646
Investment income:	
Interest	17,925
Net appreciation in fair value of investments	4,489,827
Dividends	1,936,847
Net investment income	6,444,599
Total additions	12,912,245
Deductions:	
Benefit payments	10,867,329
Increase in net position	2,044,916
Net position restricted for pension benefits—beginning	70,780,473
Net position restricted for pension benefits—ending	<u><u>\$ 72,825,389</u></u>

See notes to financial statements.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Reporting entity: The Health Care District of Palm Beach County, Florida (the District) is a political subdivision of the State of Florida and provides a source of funding for medically needy residents as well as comprehensive planning, funding and coordination of general health care and trauma services delivered in Palm Beach County, Florida (the County). The District was established as an independent special taxing district by special statute originally approved by the voters of the County on November 8, 1988, and subsequently codified in Chapter 2003-326, Laws of Florida.

The governing body of the District is a seven-member Board, three of which are appointed by the Palm Beach County Board of County Commissioners and three by the Governor of the State of Florida. The seventh member is the Director of the State's Department of Health, Palm Beach County Health Department. For financial reporting purposes, the District's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the District's Board.

Component units are legally separate entities for which the primary government is financially accountable. In accordance with Governmental Accounting Standards Board (GASB) standards, component units are either classified as blended component units or discretely presented component units, depending on the nature of the entity's relationship with the District, the primary government. The accompanying financial statements present the District and its component units, which are entities for which the District is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. As required by U.S. generally accepted accounting principles (GAAP), these financial statements include the District reporting entity, which consists of the District (primary government) and its blended component units: Healthy Palm Beaches, Inc. (HPB), District Hospital Holdings, Inc. (Lakeside) and District Clinic Holdings, Inc. (the Clinics); and its discretely presented component unit, Good Health Foundation, Inc. (the Foundation).

Blended component units: The District's basic financial statements include HPB, Lakeside and the Clinics as blended component units, based on application of GASB and GAAP criteria as follows:

Healthy Palm Beaches, Inc.: HPB is a legally separate, Florida nonprofit corporation created by the District and operating as a health maintenance organization (HMO). The District's Board is the Board of Directors of HPB, and the District is therefore financially accountable for HPB. The District has determined it also has a financial burden as it financially supports HPB and provides all administrative support functions. HPB is regulated by the Florida Office of Insurance Regulation (OIR). HPB does not issue separate audited financial statements prepared in accordance with GAAP.

A Certificate of Authority to operate HPB as an HMO was approved by the State of Florida Department of Financial Services on November 21, 1996. A Health Care Provider Certificate was issued to HPB by the State of Florida Agency for Health Care Administration (AHCA) on October 29, 1996. HPB contracted with AHCA to provide health care services to Medicaid recipients beginning January 1, 1998, until the sale of the Medicaid HMO on August 1, 2014.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

On August 1, 2014, HPB sold its personal health plan (PHP) Medicaid HMO, leaving the Vita Health (Vita) program as its sole remaining business line. Vita ceased operations as membership declined and as existing members enrolled for coverage through the Health Insurance Marketplace with the District's assistance. HPB closed the Vita plan as of December 31, 2015. Effective August 7, 2019, HPB surrendered its Certificate of Authority and will no longer operate as an HMO or be regulated by the Florida OIR.

District Hospital Holdings, Inc.: Lakeside is a legally separate, Florida nonprofit corporation created by the District for purposes of operating a public hospital in Belle Glade, Florida, known as Lakeside Medical Center. The District's Board is the Board of Directors of Lakeside, and the District is therefore financially accountable for the hospital. Lakeside also has a financial benefit as it is financially dependent on the District, and the District provides administrative support functions. The accounting policies of Lakeside are generally the same as the District. Separate audited financial statements for Lakeside are available by contacting the District's Finance Department at 1515 N. Flagler Drive, Suite 101 West Palm Beach, Florida 33401; telephone 561.659.1270; or on the Web at www.hcdpbc.org.

District Clinic Holdings, Inc.: The Clinics comprise a legally separate, Florida nonprofit corporation created on July 24, 2012 by the District for purposes of operating primary care clinics in Palm Beach County, Florida. The Clinics' initial four locations were operated by the Palm Beach County Health Department (Health Department) until the operations were assumed by the District in June 2013. In January 2013, the District received a federal grant from the Health Resources and Services Administration (HRSA) to operate the Clinics as Federally Qualified Health Center (FQHC) Primary Care Clinics. The Clinics have since expanded their footprint to include ten locations and have expanded services, including dental services. Clinics is included and blended in the District's reporting entity based on the interrelationship of the component unit and the primary government, that they are in substance the same as the primary government. Separate audited financial statements for the Clinics are available by contacting the District's Finance Department at 1515 N. Flagler Drive, Suite 101 West Palm Beach, Florida 33401; telephone 561.659.1270; or on the Web at www.hcdpbc.org.

Although HPB, Lakeside and the Clinics are legally separate entities, the District is the sole corporate member for each entity and they are reported as blended component units of the District. The entities are part of the District's operations as they are essentially managed as departments of the District and the District provides financial and administrative support functions to each entity.

Discretely presented component unit: The primary government financial statements do not include the operations of Good Health Foundation, Inc., a Florida nonprofit corporation organized and operated under the laws of the State of Florida to provide philanthropic resources for the District. The Foundation's mission is to advance the health of residents and visitors in Palm Beach County through access to local quality health care. The Foundation is governed by an independent Board of Directors that consists of no fewer than 5 and no more than 15 Directors with one representative appointed by the board of District Hospital Holdings, Inc., one representative appointed by the board of District Clinic Holdings, Inc., and one representative appointed by the Glades Rural Area Support Board, with the remaining directors elected by the existing Board of Directors. The District provides administrative support functions to the Foundation. Separate audited financial statements of the Foundation are available by contacting the District's Finance Department at 1515 N. Flagler Drive, Suite 101 West Palm Beach, Florida 33401; telephone 561.659.1270; or on the Web at www.lakesidemedical.org.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Government-wide and fund financial statements:

Government-wide financial statements: The government-wide financial statements (i.e., statement of net position and statement of activities) report information on all of the nonfiduciary activities of the District and its component units. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. This distinction rests on the nature of the funding for each activity. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the District's business-type activities and each function of the District's governmental activities. The purpose of this comparison is to illustrate the degree to which direct expenses of a program or function are funded by program revenues. Direct expenses are those specifically associated with a program or function. Program revenues typically include charges paid by program users and contributions restricted to meeting the operational requirements of a particular program. Revenues not identified with particular programs or functions, including tax revenues, are presented as general revenues.

Fund financial statements: The fund financial statements provide information about the District's funds, including fiduciary funds and blended component units. Separate financial statements for each fund category—governmental, proprietary and fiduciary—are presented. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds, when they exist, are aggregated and reported in a single column in the fund financial statements and reported individually in the combining and individual fund financial statements, when required.

Governmental funds: The District reports the following major governmental funds:

General Fund: The General Fund is the main operating fund of the District used to account for all financial resources except those required to be accounted for in another fund. Resources are generated primarily from ad valorem property taxes, intergovernmental revenues, charges for services, and investment earnings and other income. Expenditures are incurred to provide health care services for medically needy residents, trauma care, school health programs and general government services.

Medicaid Match Fund: The Medicaid Match Fund is a special revenue fund used to account for all revenues and expenditures related to the medicaid match program operated by the District. Funding/revenues recorded in this fund for the medicaid match program are received from the County, as required by an interlocal agreement between the entities and further discussed in Note 1.

Capital Projects Fund: The Capital Projects Fund is used to account for all financial resources related to future capital acquisitions and major capital replacements.

Enterprise funds: The District reports the following enterprise funds:

Major enterprise funds

Healey Center Fund: This fund accounts for the activities of the District's skilled nursing facility, the Edward J. Healey Rehabilitation and Nursing Center (the Healey Center). The Healey Center is licensed by AHCA as a skilled nursing facility providing care to Medicare, Medicaid and private-pay residents of Palm Beach County. The Healey Center has provided services since 1913 and has been administered by the District since 1995.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Lakeside Medical Center Fund: This fund accounts for all activities of District Hospital Holdings, Inc., a blended component unit, that owns and operates the public hospital in Belle Glade, Florida, known as Lakeside Medical Center. The hospital provides regional health care for all Palm Beach County communities bordering Lake Okeechobee and the surrounding towns.

Primary Care Clinics Fund: This fund accounts for the activities of District Clinic Holdings, Inc., a blended component unit, that owns and operates eight primary care clinics as Federally Qualified Health Centers in Palm Beach County. The primary care clinics, through collaborative efforts with the Palm Beach County Health Department and other local organizations, provide comprehensive health services and, at four locations, dental services to Palm Beach County residents.

Nonmajor enterprise fund

Healthy Palm Beaches Fund: This fund accounts for the activities of Healthy Palm Beaches, Inc. (HPB), a blended component unit of the District. On August 1, 2014, HPB sold its personal health plan (PHP) Medicaid HMO line of business and on December 31, 2015 closed the Vita Health (Vita) program. Vita ceased operations as membership declined and as existing members enrolled for coverage through the Health Insurance Marketplace with the District's assistance. Effective August 7, 2019, HPB surrendered its Certificate of Authority and will no longer operate as an HMO or be regulated by the Florida OIR.

Additionally, the District reports the following fund types:

Internal Service Fund: This fund accounts for and reports on the activities of the District's employee group health self-insurance program.

Fiduciary funds are used to account for assets held by the District in a trustee capacity for individuals, private organizations, other governmental units and other funds. Since the assets do not belong to the District, they are not included in the government-wide financial statements.

Pension trust funds: Used to account for the assets held for the benefit of participating employees and benefit payments to retirees of the District's defined contribution pension plans.

Resident Agency Fund: This fund is used to account for assets held by the District as an agent for residents at the Healey Center.

Measurement focus and basis of accounting: The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured as either *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide, proprietary fund and pension fund financial statements are reported using the *economic resources* measurement focus and *accrual basis* of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the cash flows take place. Ad valorem property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Resident Agency Fund has no measurement focus, but it utilizes the *accrual basis* of accounting for reporting its assets and liabilities. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The governmental fund financial statements use the flow of *current financial resources* measurement focus and the *modified accrual basis* of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are both measurable and available. "Measurable" refers to whether the amount of the transaction can be determined, and "available" refers to whether the amount is collectible within the current period or soon enough thereafter to pay liabilities of the current period, generally 60 days after the end of the accounting period. Ad-valorem property taxes are recognized as revenue in the year for which they are levied. Primary revenue sources susceptible to accrual include intergovernmental revenues, charges for services and interest. Other revenues are recognized when received. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Expenditures are generally recognized when the related fund liability is incurred, if measurable. However, expenditures related to compensated absences, pensions, other postemployment benefits (OPEB) and claims and judgments are recorded only when payment is due. Expenditures related to other postemployment benefits are recognized when the District has made a decision to fund those obligations with current available resources.

Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position:

Cash, cash equivalents and investments: The District's cash and cash equivalents during 2020 consisted of petty cash, deposits with financial institutions, money market mutual funds and intergovernmental investment pool securities comprised of short-term, highly liquid assets. The District considers all highly liquid investments with an original maturity of three months or less and all deposits available upon demand to be cash equivalents for purposes of the statement of cash flows. Interest earned on cash and cash equivalents is allocated to individual funds based on rolling average cash balances.

The District's investments consisted of a pooled, fixed-income, managed account investing in U.S. government agency securities, municipal bonds and corporate notes. Investments are held in the General Fund and income from investments are recorded as it is earned. All investments are reported at fair value based on quoted market prices. Purchases and sales of investments are recorded on the trade date. Net realized and unrealized gains and losses on investments are reflected in current operating results as investment income.

In accordance with the District's investment policy, the District may invest in the following investments:

- (a) The Florida Prime fund, an investment fund authorized by Florida Statutes and administered by the State Board of Administration, up to a maximum of 25% of available funds and provided Florida Prime maintains a credit rating from a nationally recognized statistical rating organization (NRSRO) of "AAAm."
- (b) U.S. government securities including Treasury bills, notes and bonds with a maturity of five years or less.
- (c) Bonds, mortgage instruments, debentures or notes of U.S. government agencies with a maturity of five years or less up to a maximum of 50% of available funds and a maximum of 25% with any single issuer.
- (d) Bonds, mortgage instruments, debentures or notes of federal instrumentalities, up to a maximum of 80% of available funds, with a maturity of 5 years or less and a maximum of 40% with any single issuer.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

- (e) Mortgage-backed securities up to a maximum of 30% of available funds, with a maturity of 5 years or less and a maximum of 20% with any single issuer.
- (f) Nonnegotiable interest-bearing time deposits or savings accounts in qualified public depositories as defined in Florida Statutes, Chapter 280.02, up to a maximum of 25% of available funds, with a maturity of one year or less and a maximum of 15% with any single issuer.
- (g) Commercial paper of any U.S. corporation that is prime rated "A-1" or higher by a NRSRO at the time of purchase, up to a maximum of 35% of available funds, with a maturity of 270 days or less and a maximum of 5% with any single issuer.
- (h) Corporate notes issued by U.S. corporations that have a long-term debt rating of at least "A" by a nationally recognized rating agency at the time of purchase, up to a maximum of 35% of available funds and a maximum of 5% with any single issuer.
- (i) Asset backed corporate notes that has a rating of at least "AA" by a NRSRO at time of purchase, up to a maximum of 20% of available funds, with a maturity of 5 years or less and a maximum of 5% with any single issuer.
- (j) State and/or local government taxable and/or tax-exempt debt that has a rating of at least "A" by a NRSRO at the time of purchase, up to a maximum of 25% of available funds, with a maturity of 5 years or less and a maximum of 10% with any single issuer.
- (k) Securities and Exchange Commission registered money market mutual funds with a minimum rating of "AAAm" from a NRSRO up to a maximum of 75% of available funds and a maximum of 25% with any single fund.
- (l) Shares of any open-end and no-load mutual funds registered under the Investment Company Act of 1940, with a rating of "AAAF" by a NRSRO, up to a maximum of 25% of available funds and a maximum of 25% with any single fund.
- (m) Intergovernmental Investments Pools with at least AAA rating from a NRSRO, up to a maximum of 25% of available funds and 25% maximum issuer limit.

Generally, the District and its component units follow the District's investment policy. Pension trust funds are authorized to invest in insurance company contracts providing for participant-directed accounts.

Restricted cash: The District classifies certain amounts of cash as restricted assets because the amounts are not currently available and their use is restricted for specific purposes by statutory and legal requirements. In the business-type activities and enterprise funds, restricted cash includes donor-restricted contributions for specific purposes, a state-required insolvency protection account, and a statutory reserve deposit held by the State of Florida.

Patient accounts receivable, net: Patient accounts receivable of the governmental activities and governmental funds include amounts due from patients, third-party payors and others for aeromedical, pharmacy and related medical services. Patient accounts receivable of the business-type activities and enterprise funds include amounts due from patients, third-party payors and others for medical and dental services provided by the Healey Center, Lakeside and the Clinics. Patient accounts receivable are reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered by the District.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Allowance for contractual discounts: Contractual adjustments under third-party reimbursement programs represent the difference between the established rates for services and amounts reimbursed by third-party payors and are included as a reduction of patient accounts receivable and revenue. The District estimates the allowance for contractual discounts based on historical performance on a payor-specific basis, given its interpretation of the applicable regulations or contract terms and also considering business and economic conditions, trends in health care coverage and other collection indicators. However, the services authorized and provided and resulting reimbursement are often subject to interpretation. These interpretations sometimes result in payments that differ from the District's estimates. Additionally, updated regulations and contract negotiations occur frequently, necessitating the continual review and assessment of the estimation process.

Allowance for doubtful accounts: The District's ability to collect outstanding receivables from patients, third-party payors, and others is critical to its operating performance and cash flows. The primary collection risk lies with uninsured patient accounts or patient accounts for which a balance remains after primary insurance has paid. While differences exist in the models applied, depending upon the revenue center, the District's policy with respect to estimating its allowance for doubtful accounts is to generally reserve the self-pay accounts receivable based on aging and the historical collection experience on self-pay accounts. The District continually monitors its accounts receivable balances and utilizes cash collections data and other analysis to support the basis for its estimates of the provision for doubtful accounts.

Inventories: Inventories consist of pharmaceuticals and medical supplies used by the District's pharmacy operations and Lakeside. The inventories are accounted for using the consumption method, whereby inventories are recorded as expenditures/expenses in the period when consumed. Inventories of supplies used in operations are valued at cost and inventories held for resale are reported at the lower of cost or market.

Prepaid items/expenses: Expenditures/expenses for insurance premiums and other administrative costs applicable to future accounting periods are recorded as prepaid items/expenses and allocated between accounting periods. The cost of prepaid items/expenses is recorded as expenditures/expenses in the period when consumed.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Capital assets: Capital assets, which include land, construction in progress, buildings, improvements and furniture, fixtures and equipment, are reported in the applicable governmental or business-type activities column in the government-wide and proprietary fund financial statements. The District defines capital assets for business-type activities as assets with an initial cost of at least \$5,000 and an estimated useful life of at least one year. For reporting purposes, capital assets for governmental activities are assets, excluding computer software, with an initial cost of at least \$10,000 and an estimated useful life of at least one year, and computer software with an initial cost of at least \$50,000 and an estimated useful life of at least one year. Capital assets purchased in the governmental funds are recorded as expenditures at the time of purchase. Capital assets are recorded at historical cost or estimated historical cost, if actual historical cost is not available. Contributed assets are valued at their acquisition value on the date contributed. Capital assets, other than land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives as follows:

Asset	Years
Buildings and improvements	15-30
Air ambulances	7
Furniture, fixtures and equipment	3-20
Vehicles	3-5
Computer software	3-10

Leasehold improvements are recorded at cost and depreciated on a straight-line basis over the shorter of the estimated useful lives of the depreciable assets or the lease term.

The estimated useful lives generally conform to those recommended by the American Hospital Association. All costs related to the construction of facilities are capitalized, including salaries, employee benefits, contracted services and materials. Costs that materially extend the life of existing assets are capitalized. However, the District does not capitalize the costs of normal maintenance and repairs that do not increase the capacity or efficiency of the asset or materially extend the useful life of the asset. Gains and losses on dispositions of capital assets are recorded in the period of disposal.

Medical benefits payable: Medical benefits payable include amounts billed by providers and not yet paid and an estimate of costs incurred for unbilled services provided for the District's managed care programs. The liability is based on historical trends estimated annually by an independent actuary.

Unearned revenue: Unearned revenue represents grants and similar items received for which the District has not met all eligibility requirements imposed by the provider to allow for revenue recognition.

Compensated absences: District policy permits employees to accumulate unused paid time off up to a maximum of 400 hours, which is payable to eligible employees upon termination or retirement at the rate of pay on that date. Employees may also accumulate unused sick leave hours up to a maximum of 400 hours. However, there is no payment to employees for unused sick leave hours upon termination or retirement. All paid time off is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, such as amounts related to employee terminations and retirements.

Deferred outflows and inflows of resources: In addition to assets and liabilities, the financial statements will sometimes report a separate section for deferred outflows and/or deferred inflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District reported deferred outflows of resources related to pensions and OPEB at year end.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The District reported deferred inflows of resources related to pensions and OPEB at year end.

Net position: The government-wide and proprietary funds report net position in three components: net investment in capital assets, restricted net position and unrestricted net position, in accordance with GASB standards. Net investment in capital assets consists of capital assets, net of accumulated depreciation and related liabilities (if any). Restricted net position consists of assets that have constraints placed on them externally by creditors, grantors, contributors, regulations or imposed by law through constitutional provisions or enabling legislation, reduced by liabilities payable from those assets. Unrestricted net position (deficit) consists of all net position that does not meet the definition of net investment in capital assets or restricted net position.

At September 30, 2020, the net position of the government-wide and proprietary funds were restricted for the following purposes:

Statutory reserves: HPB \$1.5 million on deposit with the Florida Office of Insurance Regulation (OIR).

Donor-restricted contributions: The Healey Center receives donor-restricted contributions on behalf of the residents. The balance of these donor-restricted contributions was \$8,855 at September 30, 2020.

Fund balances: In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the District is legally bound to honor constraints on the specific purposes for which amounts in the fund balance can be spent. The fund balance classification hierarchy is summarized as follows:

Nonspendable: Nonspendable fund balances include amounts that cannot be spent because they are either: a) not in spendable form, or b) legally or contractually required to be maintained intact.

Restricted: Restricted fund balances include amounts that are restricted to specific purposes either by: a) constraints placed on the use of resources by creditors, grantors, contributors or laws and regulations of other governments/agencies, or b) imposed by law through constitutional provisions or enabling legislation. The District had no restricted fund balances at September 30, 2020.

Committed: Committed fund balances include amounts that can only be used for specific purposes pursuant to constraints imposed by the District's Board of Commissioners through a Board Resolution and remain in place until action is taken by the District Board to remove or revise the limitations. The District had no committed fund balances at September 30, 2020.

Assigned: Assigned fund balances include amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The District Board has by resolution authorized the District's chief executive officer to assign fund balance. They are also assigned as part of the annual budget process. Assignments are generally temporary and do not require District Board action for removal.

Unassigned: Unassigned fund balances (deficit) include amounts that have not been assigned in other funds and have not been restricted, committed or assigned to specific purposes within the General Fund.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Application of resources: The District considers restricted fund balances and net position to be spent when an expenditure is incurred for the restricted purpose. When the District has both restricted and unrestricted resources available to finance a particular program, it is the District's policy to use the restricted resources first before using unrestricted resources. The District considers committed, assigned or unassigned fund balances to be spent when an expenditure is incurred for purposes for which amounts in any of those fund balance classifications could be used.

Minimum fund balance policy: The District's policy is to maintain an adequate fund balance in the General Fund to provide liquidity in the event of an economic downturn or budget shortfall. The Board has adopted a financial goal to maintain a minimum unassigned fund balance in the General Fund equivalent to 15 to 20% of the combined fund's annual expenditures. The District was in compliance with this policy at year end.

Revenues and expenditures/expenses:

Ad valorem property taxes: Under Florida law, the assessment of all properties and the collection of all county, municipal, special district, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector, respectively. All property is reassessed according to its fair market value on January 1 of each year, and the property tax rolls are submitted to the State Department of Revenue for review to determine if the tax base is equitable, uniform and in compliance with State law.

The tax levy of the District is established by Board Resolution prior to October 1 of each year during the budget process. The Palm Beach County Property Appraiser incorporates the District's millage rate into the total tax levy, which includes the county, school board, special district, and municipal tax levies. The tax becomes a lien on real and personal property and is receivable by the District on October 1 of each year based upon the taxable value established by the County Property Appraiser as of the prior January 1. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. Taxes paid in March are without discount. Unpaid taxes become delinquent on April 1 following the year in which they were levied.

On or after April 1 following the tax year, certificates are offered for sale for all delinquent taxes on real property. After sale, tax certificates bear interest, generally at 18% per year. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of 2 years. Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied.

During 2007, the Florida Legislature passed property tax reform legislation limiting the property tax levies of local governments in the State of Florida. For the fiscal year ended September 30, 2020, the maximum tax levy allowed by a majority vote of the governing body is based on a millage rate equal to the current-year rolled-back millage rate plus an increase for growth in per capita Florida personal income. A two-thirds vote of the governing body is required to adopt a rate up to 10% higher than the majority vote maximum millage rate, and a unanimous vote is required to adopt anything higher than that. Regardless of the preceding requirements, the District cannot increase its millage rate more than 0.25 mills over the prior year.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The total taxable assessed value upon which the fiscal year 2020 tax levy was based was approximately \$199.1 billion. For the year ended September 30, 2020, the actual millage rate for the District was 0.7261 mills (\$0.7261 per \$1,000 of assessed value). The District's maximum ad valorem tax levy is limited by Florida Statutes to 2.00 mills. Actual ad valorem taxes may differ from budgeted amounts due to property tax assessment appeals and corrections.

Intergovernmental revenue: Grant revenue is recorded when the related expenses are incurred and all eligibility requirements and time requirements have been met. Grant funds received in advance of meeting eligibility requirements are reported as unearned revenues in the financial statements.

Other intergovernmental revenue in the General Fund includes contributions from the School District of Palm Beach County for the District's school health programs.

Pursuant to an Interlocal Agreement with Palm Beach County, Florida (the County), the District receives \$15 million annually from the County through fiscal year 2035. The funding consists of an operating grant for the Healey Center and funding for the Medicaid Match owed to the State in accordance with Florida law. The District allocates \$5.9 million to the Medicaid Match Fund and the remaining \$9.1 million to the Healey Center Fund. The funding provided by the County is recorded as intergovernmental revenue in the Medicaid Match Fund as it relates to services for Medicaid-eligible individuals at hospitals and nursing homes throughout the County and is not related to any charges for services.

Net patient service revenues: The District serves patients whose medical costs are generally not paid at established rates and are reimbursable by third-party payors and government programs, such as Medicare and Medicaid, commercial insurance companies and uninsured patients who have limited or no ability to pay. Contractual adjustments under third-party reimbursement programs represent the difference between the established rates for services and amounts reimbursed by third-party payors and are included as a reduction of patient service revenue. The District also records its provision for uncollectible accounts as a direct reduction of patient service revenue. Net patient service revenues for the year ended September 30, 2020, consisted of the following:

Healey Center Fund:	
Managed Care Medicaid	\$ 8,053,362
Insurance, private-pay and other revenue	669,125
	<u>8,722,487</u>
Lakeside Medical Center Fund:	
Medicare and Medicaid revenue	5,702,630
Disproportionate share distributions	1,521,544
Insurance, private-pay and other revenue	17,295,815
	<u>24,519,989</u>
Primary Care Clinics Fund:	
Medicare and Medicaid revenue	6,384,040
Insurance, private-pay and other revenue	2,816,785
	<u>9,200,825</u>
Total net patient service revenues	<u>\$ 42,443,301</u>

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods when adjustments become known or as years are no longer subject to audits, reviews and investigations. Contractual adjustments under third-party reimbursement programs are recorded on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. There were no material changes to prior year estimates of third-party payor settlements during the year ended September 30, 2020.

The District's basis of reimbursement with major third-party payors is summarized as follows:

Medicare: For Lakeside, inpatient acute care services rendered to Medicare beneficiaries are reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient non-acute services, outpatient services, and defined capital costs related to Medicare beneficiaries are primarily reimbursed on a prospective reimbursement methodology. The laws and regulations under which the Medicare and Medical Assistance programs operate are complex, subject to frequent change and subject to interpretation. As part of operating under these programs, there is a possibility that governmental authorities may review Lakeside's compliance with these laws and regulations. Such review may result in adjustments to reimbursements previously received and subject Lakeside to fines and penalties. Although no assurances can be given, management believes they have complied with the requirements of these programs. Lakeside's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with Lakeside. The Medicare cost reports through September 30, 2016, have been audited and finalized by the Medicare Administrative Contractor.

The Medicare cost reports for the Healey Center and Clinics for the fiscal year ended September 30, 2020 was filed in fiscal year 2021. The final determination of amounts earned pursuant to the Medicare program will be subject to review or audit by appropriate governmental agencies or their agents. However, no liability is reasonably expected.

Medicaid: Inpatient and outpatient services rendered to Medicaid beneficiaries were reimbursed under a prospective rate methodology based upon prior year cost reimbursement, whereby Lakeside was paid at a tentative rate based upon the most recent cost report available at the time of rate-setting. Following submission of annual cost reports by Lakeside, a final settlement is determined after audit by the Medicaid fiscal intermediary. Effective July 1, 2013, Lakeside is reimbursed under an inpatient payment method that utilizes Diagnosis Related Groups (DRGs). Payments under DRG assignment are made on a per case basis and are not subject to retrospective rate adjustments. For outpatient services, Lakeside's reimbursement continues to be based on the prospective rate methodology used in prior years. Lakeside's Medicaid cost reports were audited by the Medicaid fiscal intermediary through September 30, 2016. The Healey Center files an annual Medicaid cost report for purposes of determining a prospective Medicaid reimbursement rate. No retroactive adjustments have been made to the filed reports, and no adjustments are expected. A Medicaid cost report is not required for the Clinics.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The Centers for Medicare & Medicaid Services (CMS) has implemented a program using recovery audit contractors (RACs) as part of the CMS efforts to assure accurate payments. The program uses the RAC to review claims for potentially improper Medicare payments that may have been made to health care providers and were not detected through existing CMS program reviews. Once a RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from, or addition to, the provider's Medicare reimbursement for the amount of the estimated overpayment or underpayment. The District records an adjustment to revenue for any overpayment or underpayment at the time notice is received from the RAC and the amount can be reasonably estimated. There were no material RAC adjustments, audit recoveries or settlements for prior periods related to the Medicare and Medicaid programs during 2020, and no liability has been recorded for estimated RAC settlements.

Payments to the Clinics for Medicare patients changed to a prospective payment system (PPS) effective October 1, 2014, as mandated by the Affordable Care Act of 2010. CMS established a new base rate as of October 1, 2014 at \$158.85. A Geographic Adjustment Factor (GAF) is applied to the base rate based on where the services are provided. In addition, the GAF-adjusted rate may also be affected by additional adjustment factors, such as new patients. Generally, the Medicare PPS payment to the Clinics is equal to 80% of the lesser of the Clinics' charges or the PPS rate. The remaining 20% is the responsibility of the patient and/or the patients coinsurance. Effective January 1, 2020, the base rate was increased to \$173.50.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that the recorded estimates will change by a material amount in the near term.

Commercial providers: The District also has reimbursement agreements with commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined per diem rates and capitation. Certain provider contracts provide for review of paid claims for compliance with the terms of the contract and may result in retroactive settlements with providers. In management's opinion, such settlements, when reached, will not vary significantly from the estimated amounts that are recorded in the accompanying financial statements.

Charity care: The District's mission is to provide high-quality, affordable health care to the community. In pursuing its commitment to serve all members of the community, the District provides services to the financially disadvantaged, despite the lack or adequacy of payment for its services. District maintains records to identify and report the level of charity care it provides to the community. These records include the amount of charges foregone for health care services and supplies furnished under the District's charity care policy.

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not anticipate payment when services are rendered and does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Public Medical Assistance Trust Fund: The State of Florida (the State) has established the Public Medical Assistance Trust Fund to provide a method for funding the provision of health care services to indigent persons. Hospitals in the State are required to pay assessments to the trust fund equal to 1.5% of each hospital's prior year net inpatient revenue and 1.0% of each hospital's prior year net outpatient revenue. The assessments are distributed under various programs to hospitals in the State that serve Medicaid patients and uninsured charity care patients. Lakeside received funding for patients under the Disproportionate Share Hospital (DSH) and the Low Income Pool (LIP) programs. The DSH program provides payments to hospitals that serve a disproportionate number of Medicaid and uninsured charity care patients. The LIP program distributes funding to the District and Lakeside to support coverage for Medicaid, uninsured and underinsured patients.

The LIP program is a federal matching program that provides the state with the opportunity to receive additional federal distributions based on a capped annual allotment, which is then distributed by the state to participating health care providers for eligible services. Local governments, such as counties, hospital and health care districts and the Florida Department of Health provide funding for the nonfederal share of the LIP distributions. Revenues from the DSH and LIP programs are reported as operating revenues from disproportionate share distributions in the accompanying statement of revenues, expenditures and changes in net position, net of the required quarterly assessments owed by Lakeside, which are accrued in the fiscal year for which the assessments are made. For the year ended September 30, 2020, Lakeside was not assessed for these programs and its total disproportionate share distributions was approximately \$1,521,000, which is recorded in net patient service revenues in the statement of revenues, expenditures and changes in net position—proprietary funds. The receipt of future distributions is contingent upon the continued support of the program by the federal and state governments. The State is considering the future of LIP funding as directed by CMS, and future funding is uncertain. Management expects any loss of federal or state funding for Lakeside will be replaced by additional operating contributions from the District.

Operating revenues and expenses: The statement of revenues, expenses and changes in net position of the District's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the principal activity of the District's enterprise funds. Operating revenues also include internal service fund charges to other funds to cover actual premium costs associated with the District's employee group health insurance program. Nonexchange revenues, including interest income, operating grants, contributions, CARES Act funding and other unrestricted revenues, are reported as nonoperating revenues. Grants and contributions of capital assets, or such amounts restricted by donors for the acquisition of capital assets, are reported as capital contributions. Operating expenses include all expenses incurred to provide health care services, other than financing costs. As well as internal service fund expenses incurred for employee health insurance claims and related costs.

Grant revenues and receivables: Grant revenues is recorded when the related expenses are incurred and the eligibility and time requirements have been met. Grant funds received in advance of meeting eligibility requirements are reported as unearned grant revenues. As of September 30, 2020, the Clinics had grant receivables of approximately \$4,968,000, of which, approximately 86% was due from HRSA.

Interfund transactions: Transactions between funds during the year consisted of loans, services provided, reimbursements, capital contributions and transfers. Loans are reported in the fund financial statements as due from other funds and due to other funds and are eliminated in the government-wide financial statements. Interfund services are treated as revenue and expenditures/expenses.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are presented as transfers. Transfers within the governmental and business-type activities are eliminated in the government-wide financial statements.

COVID-19 pandemic: In January 2020, the Secretary of the U.S. Department of Health and Human Services (HHS) declared a national public health emergency due to a novel strain of coronavirus (COVID-19). In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The resulting measures to contain the spread and impact of COVID-19 have adversely affected the District's results of operations. As a result of the COVID-19 pandemic, federal and state governments have passed legislation, promulgated regulations and taken other administrative actions intended to assist health care providers in providing care to COVID-19 and other patients during the public health emergency. Sources of relief include the Coronavirus Aid, Relief and Economic Security Act (the CARES Act), which was enacted on March 27, 2020. During the period ended September 30, 2020, the District was the beneficiary of these stimulus measures. The District's accounting policies for the recognition of these stimulus monies are described below.

CARES Act and PPPHCE Act Funds: During the year ended September 30, 2020, the District received approximately \$26,673,000 in payments through the Public Health and Social Services Emergency Fund (the PHSSEF) in both general and targeted distributions. Approximately \$10,076,000 of the PHSSEF payments qualified as reimbursement for lost operating margin and incremental expenses and was recognized as CARES Act funding in the statement of revenues, expenses and changes in net position. The recognition of amounts received is conditioned upon the provision of care for individuals with possible or actual cases of COVID-19 after January 31, 2020, certification that payment will be used to prevent, prepare for and respond to COVID-19 and shall reimburse the recipient only for health care-related expenses or lost operating margin that are attributable to COVID-19, and receipt of the funds. The District recognizes grant payments as income when there is reasonable assurance the District has complied with the conditions associated with the grant. The District's estimates could change materially in the future based on operating performance or COVID-19 activities at individual locations, as well as the evolving grant compliance guidance provided by the government. The approximately \$16,597,000 that has not been recognized as revenue or that has not been refunded to HHS as of September 30, 2020, is reflected within unearned revenue – CARES Act funding in the statements of net position. Such amounts may be recognized as revenue in future periods if the underlying conditions for recognition are met.

Income taxes: The District's blended component units, Lakeside, HPB and the Clinics, are legally separate nonprofit organizations that are exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. These nonprofit organizations were given governmental entity status by the Internal Revenue Service and are exempt from federal and state income taxes, and are not required under the Internal Revenue Code to file tax returns.

The Foundation, a component unit of the District, is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization other than a private foundation under section 509(a)(2). The Foundation evaluates its uncertain tax positions in accordance with the Financial Accounting Standard Board's (FASB) Accounting Standards Codification (ASC) Topic 740, Income Taxes, which states that management's determination of the taxable status of an entity, including its status as a nonprofit entity, is a tax position subject to the standards required for accounting for uncertainty in income taxes. Management does not believe that the Foundation has any significant uncertain tax positions that would be material to the financial statements. The Foundation is generally not subject to examinations by U.S. tax authorities for tax years prior to 2017.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and the disclosures of contingent amounts at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for contractual adjustments and doubtful accounts, estimated third-party payor settlements, pension liability, other post-employment benefit liability, self-insured liability and medical benefits payable. Actual results could differ from those estimates.

New accounting pronouncements: The GASB issued new statements effective in future years. Management has not completed its analysis of the effects, if any, of these GASB statements on the financial statements of the District as listed below.

GASB Statement No. 84, Fiduciary Activities, was issued January 2017. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The provisions of this Statement will be effective for the District beginning with its year ending September 30, 2021. *

GASB Statement No. 87, Leases, was issued June 2017. This Statement improves the accounting and financial reporting for leases by governments. The provisions of this Statement will be effective for the District beginning with its year ending September 30, 2022. *

GASB Statement No. 90, Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61, was issued August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The provisions of this Statement will be effective for the District beginning with its year ending September 30, 2021. *

GASB Statement No. 91, Conduit Debt Obligations, was issued May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with: (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions of this Statement will be effective for the District beginning with its year ending September 30, 2023. *

GASB Statement No. 92, Omnibus 2020, was issued January 2020. This statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for the District beginning with its year ending September 30, 2022.

GASB Statement No. 93, Replacement of Interbank Offered Rates, was issued in March 2020. This statement addresses accounting and financial reporting implications that result from the replacement of a LIBOR. The requirements of this Statement are effective for the District beginning with its year ending September 30, 2022. *

*Effective dates represent postponement as per GASB Statement No. 95.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, was issued March 2020. This statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this Statement are effective for the District beginning with its year ending September 30, 2023.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements, was issued May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for the District beginning with its year ending September 30, 2023.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, was issued June 2020. The primary objectives of this Statement are to: (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for the District beginning with its year ending September 30, 2022. Except for the requirement of this Statement that: (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans, and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trust that meet the criteria in paragraph 30 of Statement 67 or paragraph 30 of Statement 74, respectively, are effective immediately.

Budgetary Control: The excess of transfers out over appropriations in the General Fund in the amount of \$443,217, is attributed to the General Fund transferring funds assigned in the prior year for the planned information technology system implementation to the Capital Replacement Fund.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 2. Cash, Cash Equivalents and Investments

Cash and cash equivalents: Cash and cash equivalents include the following unrestricted and restricted assets of the District at September 30, 2020:

	Primary Government		Fiduciary Funds
	Unrestricted	Restricted	
Deposits with financial institutions	\$ 18,093,958	\$ -	\$ 70,459
Intergovernmental investment pool	27,384,979		
Money market mutual funds	4,502,743		-
Deposits with financial institutions restricted for donor contributions	-	8,855	-
Deposits with the State of Florida	-	1,500,000	-
Total	<u>\$ 49,981,680</u>	<u>\$ 1,508,855</u>	<u>\$ 70,459</u>

The District's deposits with financial institutions consisted of demand deposit and money market accounts that were entirely covered by a combination of federal depository insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions that comply with the requirements of Florida Statutes and have been designated as a qualified public depository by the State Treasurer. Qualified public depositories are required to pledge collateral to the State Treasurer with a market value equal to a percentage of the average daily balance of all government deposits in excess of any federal deposit insurance. In the event of a default by a qualified public depository, all claims for government deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories participating in the collateral pool. Accordingly, all deposits with financial institutions are considered fully insured.

Cash equivalents include short-term investments in Securities and Exchange Commission (SEC) registered institutional money market mutual fund and intergovernmental investment pool securities that are available to the District on a next day basis. Restricted cash and cash equivalents include deposits with the State of Florida of \$310,000 and monies held in an insolvency protection account with financial institutions segregated and held for the benefit of the Florida OIR in the amount of \$420,119. Additional monies held with financial institutions comprise the balance of HPB's statutory reserve of \$1.5 million. Restricted cash and cash equivalents also include deposits with financial institutions of \$8,855 held for donor-restricted contributions received by the Healey Center.

The cash and cash equivalents of the District's discretely presented component unit, Good Health Foundation, Inc., consist of deposits with financial institutions. At year-end the Foundation's deposits with financial institutions exceeded federal depository insurance limits by approximately \$194,000. The Foundation has not experienced any losses in these accounts and does not consider there to be any significant credit risk to these deposits.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 2. Cash, Cash Equivalents and Investments (Continued)

Investments: The District's investments consist of the following at September 30, 2020:

Investments	Primary Government – Unrestricted	Fiduciary Funds
U.S. government securities	\$ 45,238,187	\$ -
U.S. government federal instrumentalities	55,193,265	-
Corporate notes	11,004,889	-
Municipal bonds	1,461,195	-
Insurance company contracts	-	72,825,389
	<u>112,897,536</u>	<u>72,825,389</u>

In accordance with Florida law, the District's investment policy allows it to invest in limited types of investments, including Florida Prime, deposits and time certificates with financial institutions designated as a Florida Qualified Public Depository, U.S. government securities, certain securities of the U.S. government agency and federal instrumentalities, mortgage-backed securities, commercial paper, corporate notes, state and local government debt securities, and interests in investment companies or investment trusts registered under the Investment Company Act of 1940 (money market mutual funds), provided that the portfolio has a weighted-average maturity of 60 days or less and the fund is rated AAAM by Standard & Poor's or the equivalent by another rating agency. No derivative securities are permitted.

GASB Statement No.72, *Fair Value Measurement and Application*, requires that investments be categorized according to the fair value hierarchy levels established by this statement. The hierarchy has three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs are inputs other than quoted prices included within Level 1 that are unobservable for the asset or liability, such as quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active; and Level 3 inputs are unobservable inputs such as management's assumption of the default rate. The District's investments are categorized as follows according to the GASB 72 fair value hierarchy as of year-end:

	Fair Value	Fair Value Measurements Level 2	Weighted Average Maturity (Years)
Investment Type:			
U.S. government securities	\$ 45,238,187	\$ 45,238,187	1.25
U.S. government federal instrumentalities	55,193,265	55,193,265	2.34
Corporate notes	11,004,889	11,004,889	1.50
Municipal bonds	1,461,195	1,461,195	3.61
Total investment at fair value	112,897,536	<u>\$ 112,897,536</u>	1.84
Cash equivalents:			
Intergovernmental investment pool – reported at net asset value (NAV)	27,384,979		0.14
Total cash equivalents and Investments	<u>\$ 140,282,515</u>		
Portfolio weighted-average to maturity			<u>1.51</u>

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 2. Cash, Cash Equivalents and Investments (Continued)

In May 2016, the District entered into an Interlocal Agreement with Florida Cooperative Liquid Assets Securities System (FLCLASS). FLCLASS is an intergovernmental Investment Pool comprised of short term, highly liquid assets. The District currently has \$27,384,979 invested with FLCLASS as of September 30, 2020, and has earned \$452,370 for the fiscal year ended. FLCLASS is rated 'AAAm' by Standard and Poor's. Public Trust Advisors, LLC serves as the pool's administrator and investment adviser. The pool is subject to the general supervision of the Board of Trustees which is duly elected by the FLCLASS Participants. Wells Fargo Bank, N.A. serves as custodian for the pool. The District's fair value position in the pool is the same as the value of the pool shares and recorded at net asset value (NAV) per share. This method of determining fair value uses member units to which a proportionate share of net assets is attributed. This security is reported as cash equivalents in the financial statements at year-end.

The insurance company contracts are fixed and variable annuity contracts with The Variable Annuity Life Insurance Company (VALIC) that are held by pension plan participants under the District's group contract. Fixed annuity accounts include fixed-return securities with an average duration of five years that are part of the general account assets of VALIC. The variable annuity contracts represent units of interest issued by VALIC in a segregated asset account, which in turn holds investments in the underlying mutual funds. Neither the District nor the participants hold direct investments in the underlying mutual funds. The VALIC insurance contracts are guaranteed by, and subject to the claims of, the general creditors of VALIC. The VALIC investments are not insured or collateralized and are not rated by an NRSRO.

Custodial credit risk: Custodial credit risk is defined as the risk that an entity may not recover cash and investments held by another party in the event of a financial failure. The investment policy requires cash and investments to be fully insured or collateralized or held in independent custodial safekeeping accounts in the name of the District. At year end all investments were held by an independent custodian and were insured or registered, or held by the District or its agent in the District's name, except for the pension fund investments in insurance company contracts, which are all unclassified investment pools.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the term to maturity, the greater the exposure to interest rate risk. The District's investment policy limits the maturity of investments to match cash and anticipated cash flow requirements.

At September 30, 2020 the District's investment securities and maturities are summarized by investment type as follows:

Investment Type	Fair Value	Maturities	
		Less Than One Year	One to Five Years
U.S. government securities	\$ 45,238,187	\$ 28,385,523	\$ 16,852,664
U.S. government federal instrumentalities	55,193,265	11,574,103	43,619,162
Corporate notes	11,004,889	3,901,992	7,102,897
Municipal bonds	1,461,195	-	1,461,195
Intergovernmental investment pool	27,384,979	27,384,979	-
Total	\$ 140,282,515	\$ 71,246,597	\$ 69,035,918

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 2. Cash, Cash Equivalents and Investments (Continued)

Credit risk: Credit risk is the risk that an issuer will not fulfill its obligations. The District's investment policy addresses credit risk by limiting allowable investments to Florida Prime; U.S. government securities; certain U.S. government agency and federal instrumentalities securities, mortgage-backed securities, commercial paper rated at least A-1, corporate notes and state and local government debt securities rated at least A, and money market mutual funds with the highest credit ratings from an NRSRO. Investment securities of the District were rated by S&P as follows at year-end:

Investment Type	Fair Value	S&P Ratings	Percentage of Portfolio
U.S. Treasury notes	\$ 45,238,187	AA+	32%
Fannie Mae notes	9,452,108	AA+	7%
Federal Farm Credit notes	12,411,681	AA+	9%
Federal Home Loan Bank	13,736,433	AA+	10%
Federal Home Loan Mortgage Corp.	18,737,651	AA+	13%
Federal Home Loan Mortgage Corp. callable	855,392	AAAm	1%
Intergovernmental investment pool	27,384,979	AAAm	19%
Corporate notes	11,004,889	AA	8%
Municipal bonds	1,461,196	AA+	1%
Total	<u>\$ 140,282,516</u>		<u>100%</u>

Concentration of credit risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The investment policy addresses the concentration of credit risk by limiting the maximum amount that may be invested in any one issuer (see Note 1), except for investments guaranteed by the U.S. government, which are not limited. Investments in mutual funds or pools are excluded from the concentration of credit risk disclosure requirement. There were no investments in any one issuer that represent more than 5% of the District's investments that require disclosure.

Note 3. Accounts Receivable

The accounts receivable of the District at year end include amounts due from third-party payors and patients for health care services. The percentage of total accounts receivable provided by Medicare and Medicaid, patients and insurance and others was approximately 36%, 42% and 22%, respectively. The accounts receivable and related allowances for contractual discounts and allowances for doubtful accounts are summarized as follows:

Fund	Gross Receivables	Allowances for Contractual Discounts	Allowances for Doubtful Accounts	Accounts Receivable, Net
General Fund	\$ 6,831,785	\$ (2,140,779)	\$ (4,291,094)	\$ 399,912
Healey Center	916,527	(108,360)	(15,976)	792,191
Lakeside Medical Center	34,648,840	(15,434,376)	(16,032,012)	3,182,452
Primary Care Clinics	4,421,058	(920,967)	(1,691,318)	1,808,773
Total	<u>\$ 46,818,210</u>	<u>\$ (18,604,482)</u>	<u>\$ (22,030,400)</u>	<u>\$ 6,183,328</u>

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 4. Interfund Transactions

Interfund transactions are reflected as either loans, services provided, or reimbursements. Loans are reported as receivables and payables, as appropriate, are eliminated in the government-wide financial statements and are reported as “due to/due from other funds” in the fund financial statements. Services provided are deemed to be at or near market rates and are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement.

The District’s interfund transfers for the year ended September 30, 2020, are summarized as follows:

	Transfers In	Transfers Out
Governmental funds:		
General Fund	\$ -	\$ 55,658,785
Medicaid Match Fund	11,202,780	-
Capital Projects Fund	21,796,852	-
Enterprise funds:		
Healey Center Fund	3,254,172	-
Lakeside Medical Center Fund	8,155,669	-
Primary Care Clinics	11,249,312	-
Total	<u>\$ 55,658,785</u>	<u>\$ 55,658,785</u>

During 2020 the General Fund transferred approximately \$11,203,000 to the Medicaid Match Fund for costs associated with the Medicaid Match Program. The General Fund transferred approximately \$21,797,000 to the Capital Projects Fund to be used for future capital purchases and for the implementation of a new District-wide software system and approximately \$3,254,000 to the Healey Center Fund, \$11,249,000 to the Primary Care Clinics and \$8,156,000 to the Lakeside Medical Center Fund to subsidize the operations of those funds.

The District’s due to and from other fund balances for the year ended September 30, 2020, are summarized as follows:

	Due From Other Funds	Due to Other Funds
Governmental funds:		
Capital Projects Fund	\$ 5,375,000	\$ -
Enterprise funds:		
Primary Care Clinics	-	5,375,000
Total	<u>\$ 5,375,000</u>	<u>\$ 5,375,000</u>

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 5. Related Party Transactions

Lakeside received approximately \$301,000 in net patient service revenues from the District for the year ended. The District allocated approximately \$5,148,000 to Lakeside for certain support department costs, including personnel, purchasing, legal and administrative costs for the year ended. Lakeside received capital contributions of approximately \$2,932,000 representing capital assets placed in service that were purchased by the Capital Projects Fund and the Good Health Foundation Inc.

The Clinics received approximately \$966,000 of capitated payments recorded as net patient service revenue in the statement of revenues, expenses and changes in net position from the District for the year ended. The District allocated approximately \$4,535,000 to the Clinics for certain support department costs, including personnel, purchasing, legal and administrative costs for the year ended.

The Healey Center received capital contributions of approximately \$37,000 representing capital assets placed in service that were purchased by the Capital Projects Fund. The District allocated approximately \$2,438,000 to the Healey Center for certain support department costs, including personnel, purchasing, legal and administrative costs for the year ended.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 6. Capital Assets

The following table is a summary of capital assets activity of the District for the year ended:

	Balance September 30, 2019	Transfers and Additions	Transfers and Deletions	Balance September 30, 2020
Governmental activities:				
Nondepreciable capital assets:				
Construction in progress	\$ -	\$ 15,480,529	\$ -	\$ 15,480,529
Depreciable capital assets:				
Buildings and improvements	4,542,822	181,365	-	4,724,187
Air ambulances	13,961,920	24,188	-	13,986,108
Furniture, fixtures and equipment	7,468,448	876,467	-	8,344,915
Total depreciable capital assets	25,973,190	1,082,020	-	27,055,210
Less accumulated depreciation:				
Buildings and improvements	(2,633,012)	(258,818)	-	(2,891,830)
Air ambulances	(13,856,610)	(42,166)	-	(13,898,776)
Furniture, fixtures and equipment	(4,537,470)	(678,308)	-	(5,215,778)
Total accumulated depreciation	(21,027,092)	(979,292)	-	(22,006,384)
Total depreciable capital assets, net	4,946,098	102,728	-	5,048,826
Governmental activities capital assets, net	\$ 4,946,098	\$ 15,583,257	\$ -	\$ 20,529,355
Business-type activities:				
Nondepreciable capital assets:				
Land	\$ 3,971,465	\$ -	\$ -	\$ 3,971,465
Construction in progress	1,816,873	717,000	(1,760,025)	773,848
Total nondepreciable capital assets	5,788,338	717,000	(1,760,025)	4,745,313
Depreciable capital assets:				
Buildings and improvements	79,298,111	2,763,557	-	82,061,668
Furniture, fixtures and equipment	14,819,244	1,799,261	(151,162)	16,467,343
Total depreciable capital assets	94,117,355	4,562,818	(151,162)	98,529,011
Less accumulated depreciation:				
Buildings and improvements	(30,964,603)	(3,218,112)	-	(34,182,715)
Furniture, fixtures and equipment	(10,712,376)	(1,048,731)	147,913	(11,613,194)
Total accumulated depreciation	(41,676,979)	(4,266,843)	147,913	(45,795,909)
Total depreciable capital assets, net	52,440,376	295,975	(3,249)	52,733,102
Business-type activities capital assets, net	\$ 58,228,714	\$ 1,012,975	\$ (1,763,274)	\$ 57,478,415

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 6. Capital Assets (Continued)

Depreciation expense was charged to District functions for the year ended as follows:

Governmental activities:	
General government	\$ 937,125
Trauma	42,167
Total	<u>\$ 979,292</u>
Business-type activities:	
Healey Center	\$ 942,241
Lakeside Medical Center	3,087,712
Primary Care Clinics	236,890
Total	<u>\$ 4,266,843</u>

Project Commitments: The District has active capital asset projects in process as of September 30, 2020. The significant projects and related commitments as of September 30, 2020, are as follows:

Project	Spent-to-Date	Remaining Commitment
Aeromed helicopters	\$ 6,581,365	\$ 16,112,997
IT System Implementation	8,646,879	8,646,879
	<u>\$ 15,228,244</u>	<u>\$ 24,759,875</u>

Land: Lakeside Medical Center was constructed on 50 acres of land owned by the State of Florida. The District leased the land from the State for a period of 50 years ending February 1, 2057. Upon termination of the lease, all improvements on the property become the property of the State, which may also require the District to remove the improvements at the District's expense. As consideration for the lease, the District entered into an agreement with Prison Rehabilitative Industries and Diversified Enterprise, Inc. (PRIDE), an instrumentality of the State, which requires the District to purchase a specified amount of goods and services from PRIDE over a 30-year period as compensation for the land lease (See Note 11 – PRIDE Agreement).

Note 7. Medical Benefits Payable

Medical benefits payable consist of claims for trauma and medical services already rendered to members enrolled in the District's health coverage programs by health care providers, (i.e., physicians and Districts) and incurred but not reported (IBNR) claims for medical services. Services are provided by 12 acute care Districts and approximately 1,100 physicians and other providers in Palm Beach County, Florida. Provider claims are submitted to the District for payment at contracted, negotiated rates and are typically paid in full within 90 days.

Medical benefits payable activity for the year ended are summarized as follows:

Governmental Activities/General Fund:	
Beginning of year liability	\$ 5,029,473
Current-year claims and net changes in estimates	12,123,754
Medical benefit payments	(15,404,042)
End of year liability	<u>\$ 1,749,185</u>

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 8. Compensated Absences

Compensated absences liability activity for the year ended are summarized as follows:

	Balance October 1, 2019	Additions	Retirements	Balance September 30, 2020	Amount Due Within One Year
Governmental activities:					
Compensated absences	\$ 2,223,724	\$ 4,607,798	\$ (4,314,057)	\$ 2,517,465	\$ 529,686
Business-type activities:					
Compensated absences	3,529,156	5,707,258	(4,711,041)	4,525,373	952,158
Total	<u>\$ 5,752,880</u>	<u>\$ 10,315,056</u>	<u>\$ (9,025,098)</u>	<u>\$ 7,042,838</u>	<u>\$ 1,481,844</u>

The liability for compensated absences has typically been liquidated by the individual funds reporting the liability. For the governmental activities, compensated absences are generally liquidated by the General Fund.

Note 9. Retirement Plans

District defined contribution plan: In October 1990, the District established the Health Care District of Palm Beach County Contribution Plan (the Plan), a defined contribution plan covering District employees not participating in the Florida Retirement System Plan, who are 18 years of age or older and have completed one year of service. The Plan is administered by the Variable Annuity Life Insurance Company (VALIC). For employees hired after September 30, 2012, the District contributes 4% of eligible compensation to the Plan and also makes matching contributions equal to 100% of the participants' elective deferrals up to 4% of eligible compensation. The District contributes 15% of eligible compensation for employees hired prior to October 1, 2012. Contribution rates and benefits of the Plan are established and may be amended by the District Board. For the year ended the District contributed approximately \$6,468,000 to the Plan. Employees are not allowed to contribute to the Plan and are fully vested after 6 years of service.

District deferred compensation plan: The District also established and provides its employees with access to a 457(b) deferred compensation plan named the Palm Beach County Health Care District Pension Plan (the 457(b) Plan). Under this plan, an employee is able to contribute pretax wage/salary dollars into a personal retirement account. The 457(b) Plan is administered by VALIC. An employee can defer up to \$19,500 of eligible compensation annually. No contributions are required of the District. Contribution rates and benefits of the 457(b) Plan are established by the District Board and may be amended in the future by the District Board.

Lakeside deferred compensation plan: In May 1994, Lakeside established the District District Holdings 457(b) Retirement Plan (the 457(b) Plan), which is a deferred compensation plan. Under the 457(b) Plan, an employee is able to contribute pretax wage/salary dollars into a personal retirement account. The 457(b) Plan is administered by VALIC and does not issue a separate financial report. Plan amendments and contribution rates are approved by the District's Board. An employee can defer up to \$19,500 of eligible compensation annually. Contribution rates and benefits of the 457(b) Plan are established by the District Board and may be amended in the future by the District Board.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 9. Retirement Plans (Continued)

The District has adopted the provisions of Internal Revenue Code 457(g) and GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Under these provisions, all assets and income of the 457 plans are held in trust for the exclusive benefit of participants. Accordingly, the assets and liabilities of the 457 plans are not reported within the District's financial statements.

Florida Retirement System (FRS):

Plan description: The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the FRS Pension Plan. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college or district school board, unless restricted from FRS membership under sections 121.053 and 121.122, Florida Statutes, or allowed to participate in a nonintegrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

Publicly available FRS financial report: FRS issues a publicly available financial report that includes financial statements and required supplementary information. The complete financial report for FRS is available on the Publications page of the Division of Retirement's website at www.frs.myflorida.com or by writing to the Research and Education Section at P.O. Box 9000, Tallahassee, Florida 32315-9000 or by calling toll free 877.377.1737 or 850.488.5706.

Funding policy: The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due based upon plan assumptions. Employer and employee contribution rates are established by state law as a level percentage of payroll. Employer contribution rates are determined using the entry-age actuarial cost method. The consulting actuary recommends rates based on the annual valuation, but actual contribution rates are established by the Florida Legislature. The unfunded actuarial liability resulting from past and future plan benefit changes, assumption changes or methodology changes, and actuarial gains and losses are amortized over 30 years, using level percentage of payroll.

Contributions: Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute 3% of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The District's contributions to FRS for the fiscal year ended September 30, 2020 was \$16,737, and was equal to the required contributions for the year.

Benefits provided: FRS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 9. Retirement Plans (Continued)

The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At September 30, 2020, the District reported a liability of \$218,327 for its proportionate share of the pension plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The District's proportionate share of the net pension liability was based on the District's 2020 fiscal year contributions relative to the 2020 fiscal year contributions of all participating members. At June 30, 2020, the District's proportionate share was 0.0005%, which was an increase of 0.0001% from its proportionate share measured as of June 30, 2019.

For the fiscal year ended September 30, 2020, the District recognized pension expense of \$36,196. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	FRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,356	\$ -
Change of assumptions	39,524	-
Net difference between projected and actual earnings on FRS pension plan investments	12,999	-
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	28,054	46,163
District FRS contributions subsequent to the measurement date	4,944	-
Total	<u>\$ 93,877</u>	<u>\$ 46,163</u>

The deferred outflows of resources related to the pension plan totaling \$4,944, resulting from District contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in pension expense as follows:

Fiscal years ending September 30:	FRS
2021	\$ 7,252
2022	7,252
2023	7,252
2024	7,252
2025	7,252
Thereafter	6,510
	<u>\$ 42,770</u>

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 9. Retirement Plans (Continued)

Actuarial assumptions: The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.80%, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table and varies by member category and sex, projected generationally with Scale MP-2018.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	FRS			
	Target Allocation (1)	Arithmetic Return	(Geometric) Return	Standard Deviation
Cash	1%	2.20%	2.20%	1.20%
Fixed income	19%	3.00%	2.90%	3.50%
Global equity	54%	8.00%	6.70%	17.10%
Real estate (property)	10%	6.40%	5.80%	11.70%
Private equity	11%	10.80%	8.10%	25.70%
Strategic investments	5%	5.50%	5.30%	6.90%
Total	100%			
Assumed Inflation- Mean		2.40%		1.70%

(1) As outlined in the Pension Plan's investment policy

Discount rate: The discount rate used to measure the total pension liability was 6.80%. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected investment rate of return.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.80%) or one percentage point higher (7.80%) than the current rate:

	FRS		
	1% Decrease 5.80%	Current Discount Rate 6.80%	1% Increase 7.80%
District's proportionate share of the net pension liability	\$ 348,632	\$ 218,327	\$ 109,496

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 9. Retirement Plans (Continued)

Pension plan fiduciary net position: Detailed information regarding the pension plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Annual Financial Report.

Retiree Health Insurance Subsidy (HIS) Plan:

Plan description: The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits provided: For the fiscal year ended September 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions: The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2020, the HIS contribution rate was 1.66%. The District contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled. The District's contributions to HIS Plan for the fiscal year ended September 30, 2020 was \$2,699 and equaled the required contributions for the year ended.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At September 30, 2020, the District reported a liability of \$57,189 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The District's proportionate share of the net pension liability was based on the District's 2020 fiscal year contributions relative to the 2020 fiscal year contributions of all participating members. At June 30, 2020, the District's proportionate share was 0.0005%, which was the same as the proportionate share measured as of June 30, 2019.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 9. Retirement Plans (Continued)

For the fiscal year ended September 30, 2020, the District recognized a credit to pension expense of \$6,113. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,339	\$ 45
Change of assumptions	6,149	3,325
Net difference between projected and actual earnings on FRS pension plan investments	46	-
Changes in proportion and differences between District HIS contributions and proportionate share of contributions	1,240	36,738
District HIS contributions subsequent to the measurement date	656	-
Total	<u>\$ 10,430</u>	<u>\$ 40,108</u>

The deferred outflows of resources related to the HIS Plan totaling \$656, resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized as a credit to pension expense as follows:

Fiscal years ending September 30:	HIS
2021	\$ (4,210)
2022	(4,210)
2023	(4,210)
2024	(4,210)
2025	(4,210)
Thereafter	(9,284)
	<u>\$ (30,334)</u>

Actuarial assumptions: The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	2.21%

Mortality rates were based on the Generational PUB-2010 table with Projection Scale MP-2018.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 9. Retirement Plans (Continued)

Discount rate: The discount rate used to measure the total pension liability was 2.21%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 2.21%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	HIS		
	1% Decrease 1.21%	Current Discount Rate 2.21%	1% Increase 3.21%
District's proportionate share of the net pension liability	\$ 66,108	\$ 57,189	\$ 49,889

Pension plan fiduciary net position: Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Annual Financial Report.

The following table summarizes the net pension liability, deferred outflow and inflow of resources and pension expense and income as previously disclosed in Note 10 for the FRS and HIS plans:

Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense (Credit)
FRS Plan	\$ 218,327	\$ 93,877	\$ 46,163	\$ 36,196
HIS Plan	57,189	10,430	40,108	(6,113)
Total	\$ 275,516	\$ 104,307	\$ 86,271	\$ 30,083

Note 10. Other Postemployment Benefits

The District follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for financial reporting and disclosure for its other postemployment benefits plan (OPEB Plan).

Plan description: The District's OPEB Plan provides health care benefits to eligible retired employees and their spouses and/or beneficiaries. The District Board has the authority to establish and amend the premiums for and the benefit provisions of the OPEB Plan. The OPEB Plan is financed on a "pay as you go" basis and is not administered as a formal qualifying trust. The OPEB Plan does not issue a stand-alone publicly available financial report.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 10. Other Postemployment Benefits (Continued)

Funding policy: The District is required by Florida Statutes, Section 112.0801 to allow retirees to buy health care coverage at the same group insurance rates that current employees are charged, resulting in an implicit health care benefit. Florida law prohibits the OPEB Plan from separately rating retirees and active employees. The OPEB Plan therefore charges both groups an equal, blended rate premium for health insurance. Although both groups are charged the same blended rate premium, GAAP requires the actuarial figures to be calculated using age-adjusted premiums approximating claim costs for retirees separately from active employees. The use of age-adjusted premiums results in the addition of the implicit rate subsidy into the actuarial accrued liability. Plan members receiving benefits contribute 100% of the monthly medical premium, which currently ranges from a minimum of \$559 to a maximum of \$1,726.

District employees covered by benefit terms: At September 30, 2019, there were 11 retirees and 880 active plan members covered by the benefit terms for the overall District.

Total OPEB liability: The District's total OPEB liability is \$733,040. The total OPEB liability was measured as of September 30, 2020, based on an actuarial valuation as of October 1, 2019.

The total OPEB liability based on the October 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3%
Investment rate of return	Not applicable. The plan is not funded.
Discount rate	2.14%
Healthcare cost trend rates	8.25% in 2020, graded down to 4.5% by 0.25% per year
Mortality	Mortality Pub-2010 Headcount weighted mortality table for general public employer, annuitant and non-annuitant, sex distinct with improvement scale MP-2019

The discount rate used to measure the total OPEB liability was based on a 20-year AA/Aa tax-exempt municipal bond yield.

The following provides the changes to the total OPEB liability for the year ended:

	OPEB
Beginning balance	\$ 530,859
Service cost	38,988
Interest	19,146
Difference between expected and actual experience	128,718
Changes of assumptions	50,396
Implicit benefit payments	(35,067)
Net changes	202,181
Ending balance	\$ 733,040

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 10. Other Postemployment Benefits (Continued)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.14%) or 1-percentage-point higher (3.14%) than the current discount rate:

	OPEB Discount Rate		
	1% Decrease 1.14%	Current Discount Rate 2.14%	1% Increase 3.14%
Total OPEB Liability	\$ 770,725	\$ 733,040	\$ 697,556

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.25% decreasing to 3.5%) or 1-percentage-point higher (9.25% decreasing to 5.5%) than the current healthcare cost trend rates:

	OPEB Trend Rate		
	1% Decrease 7.25%	Current Trend Rate 8.25%	1% Increase 9.25%
Total OPEB Liability	\$ 674,140	\$ 733,040	\$ 800,477

OPEB expense and deferred inflows and outflows of resources related to OPEB

For the year ended September 30, 2020, the District recognized OPEB expense of \$75,944. In addition, the District reported deferred inflows of resources and deferred outflows of resources as follows:

Description	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 142,203	\$ 26,381
Change of assumptions	50,127	5,722
Total	\$ 192,330	\$ 32,103

Amounts reported as deferred inflows and outflows of resources related to the OPEB plan will be recognized in OPEB expenses on a straight-line basis as follows:

Fiscal years ending September 30:	OPEB
2021	\$ 17,811
2022	17,811
2023	17,811
2024	17,811
2025	17,811
Thereafter	71,172
	<u>\$ 160,227</u>

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 11. Commitments and Contingencies

Lease commitments: The District, including Lakeside and the Clinics, leases office space, pharmacy warehouse facilities, land for the aeromedical program, general storage space, and equipment under various noncancelable operating lease agreements. These operating leases expire in various years through December 2027. Rent expense was approximately \$2,791,000 for the year ended. The future minimum lease payments of the District are summarized as follows:

Years ending September 30:	Operating Leases
2020	\$ 2,244,234
2021	2,025,635
2022	1,831,124
2023	1,627,134
2024	1,406,791
Thereafter	1,428,408
Total	<u>\$ 10,563,326</u>

Contract commitments: In addition to operating leases, the District and Lakeside have entered into various contracts for services and contracts with physicians and physician groups. The provisions of those contracts are summarized as follows:

Service contracts: The District and Lakeside have entered into various contracts for maintenance agreements, software licenses and other services. The remaining term of the individual service contracts is generally one to four years.

Physician contracts: Lakeside has entered into various employment contracts with physicians and physician groups for services that include payments for hourly, shift, weekend and annual salaries. The remaining term of the individual physician contracts is generally one to three years.

The approximate future minimum payments for these contracts at year end are summarized as follows:

Years ending September 30:	Service Contracts	Physician Contracts
2021	\$ 4,055,173	\$ 4,414,303
2022	3,979,650	2,345,272
2023	4,112,910	2,031,823
2024	4,246,718	24,000
2025	4,381,091	-
2026	4,516,048	-
	<u>\$ 25,291,590</u>	<u>\$ 8,815,398</u>

Funding collaborative: The District provides financial support to certain health services agencies, including the Palm Beach County Health Department. The District incurred approximately \$8,508,000 related to the Palm Beach County Health Department and approximately \$1,230,000 to other local agencies for the fiscal year ended. The District Board approves future funding for these agencies on an annual basis in conjunction with its budgetary process. For the fiscal year 2020, the District budgeted approximately \$10,280,000 for the Palm Beach County Health Department and other local agencies.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 11. Commitments and Contingencies (Continued)

Health Department Master Agreement: The District entered into a Master Agreement with the Florida Department of Health in Palm Beach County (the Health Department), effective October 1, 2013, and ending June 30, 2021, whereby the District assumed the financial, administrative and operational responsibility for providing adult and pediatric primary care services to patients formerly served by the Health Department through their FQHC locations in Palm Beach County.

Pursuant to the Master Agreement, the District operates the clinic locations and accounts for all operational activities through the Clinics. Four clinic facility locations are owned by Palm Beach County (C. L. Brumback Health Center in Belle Glade; the Lantana/Lake Worth Health Center; and the Delray Beach Health Center) and the State of Florida (the West Palm Beach Health Center) and utilized by the District without rent. The District pays the Health Department for common expenses incurred by the Health Department for the facilities based on the pro rata square footage used by the District and the Health Department. The total annual common expenses for the facilities paid by the District were approximately \$718,000 for the year ended September 30, 2020, including costs related to space for the District's pharmacy and eligibility offices. The portion of these costs allocated to the Clinics was approximately \$619,000 for the year ended September 30, 2020.

PRIDE agreement: The District entered into an agreement with PRIDE, an instrumentality of the State of Florida, and a lease with the State of Florida for 50 acres of land for the Lakeside Medical Center facility. The lease is for a term of 50 years ending February 1, 2057. Upon termination of the lease, all improvements on the property become the property of the State, which may also require the District to remove the District facility and improvements at the District's expense. As consideration for the lease, the District entered into an agreement with PRIDE that requires the District to purchase \$4,166,667 in goods and services from PRIDE over a 30-year period ending July 12, 2036. Purchases by the District through September 30, 2020, totaled approximately \$267,000. If the purchase requirement is not met by July 12, 2036, the District must pay 18% of the unfulfilled purchase commitment on July 12, 2036. The unfulfilled purchase commitment as of September 30, 2020, is reported at net present value, discounted at a rate of 1.23% (20-year U.S. Treasury Rate), and is approximately \$563,000. The payments to PRIDE, the 2020 land lease expense of approximately \$267,000, and the liability for the lease are recorded by the District and have not been charged to the Lakeside Medical Center facility.

Risk management and litigation: The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District purchases commercial insurance coverages. The District, Lakeside, the Clinics and Healey Center are subject to risk of loss arising in the ordinary course of business, including claims for damages from medical malpractice, personal injuries, employment-related claims, breach of management contracts and for wrongful restriction of or interference with physicians' staff privileges. Except where prohibited, in certain of these actions, plaintiffs may seek punitive or other damages against the District, which are generally not covered by insurance.

The District is an independent special taxing district and a political subdivision of the State of Florida and is entitled to sovereign immunity under the Florida law. For tort actions (with claims arising on or after October 1, 2011), Florida has a limited waiver of sovereign immunity at section 768.28, Florida Statutes. The District's liability for tort is limited to \$200,000 per claim and \$300,000 in the aggregate. Judgments may be claimed or rendered in excess of the sovereign immunity limits; however, the District cannot be liable for such excess amounts unless the claim/judgment is presented to and approved by the Florida Legislature (i.e., "claims bill"). Additionally, on June 1, 2015, the District obtained an umbrella liability policy for coverage in excess of the self-insured retention levels of \$500,000 for professional liability exposures and \$500,000 for general liability exposures, as well as underlying insurance policies for employers' liability, business automobile liability, and aviation general liability exposures.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 11. Commitments and Contingencies (Continued)

The policy, with aggregate limits of \$5 million, only responds in the event a covered loss results in a claims bill that is approved by the Legislature. The District's management, in consultation with legal counsel, believes all general liability claims are covered by insurance or limited under sovereign immunity and will not have any significant impact on the financial condition of the District in excess of the amounts accrued at year-end.

Self-Insurance – Employee Health

The District offers its employees medical and prescription drug benefits which became self-funded on October 1, 2017. The District is therefore exposed to various risks of loss related to employee health claims incurred in connection with the District's self-insurance program. The District's self-insurance internal service fund is used to account for and finance both uninsured and insured risks of loss.

Coverage is provided as follows: \$300,000 self-insured retention per claim and aggregate stop loss of \$1,000,000. All operating funds of the District participate in the program and make payments to the health insurance internal service fund based on estimates of the amounts needed to pay prior and current claims, and to maintain an adequate fund net position balance. The estimated liability on pending employee health claims at September 30, 2020 is \$1,663,000. Additionally, Healey, Lakeside and the Clinics accrued approximately \$107,000, \$824,000 and \$45,000, respectively, for various other self-insured claims. The estimated liability on pending claims at year end is accounted for based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR).

The District's management, in consultation with legal counsel, believes all claims are fully accrued, covered by insurance or limited under sovereign immunity and does not expect any claims that will have a significant impact on the financial condition of the District.

Settlements and related costs: In December 2014, Lakeside was notified by the Agency for Health Care Administration (Florida Medicaid) that payments under the Medicaid DSH program for the State fiscal year ended June 30, 2011, exceeded the calculated Medicaid DSH Limit. Lakeside determined certain amounts received under the Medicaid DSH program for the years of 2013, 2014 and 2015, were estimated to be in excess of the Medicaid DSH Limit for those years. Accordingly, Lakeside accrued approximately \$2,492,000 at year end for the estimated Medicaid settlements and related costs of the overpayments.

Compliance with laws and regulations: The health care industry is subject to voluminous and complex laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, anti-kickback and anti-referral laws, false claims prohibitions and Medicare and Medicaid fraud and abuse. In addition, as a tax-exempt entity, the District and its component units are also subject to the laws and regulations related to their tax exemption. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions that are unknown or unasserted at this time. Violations of these laws and regulations could result in significant fines and penalties, including repayments for patient services previously reimbursed and loss of tax-exempt status. Management believes that the District has generally complied with applicable laws and regulations that could have a material impact on the financial statements of the District and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing or noncompliance.

Health Care District of Palm Beach County, Florida

Notes to Financial Statements

Note 11. Commitments and Contingencies (Continued)

Grants: The grant revenues received or receivable by the District are subject to audit and adjustment by the grantor agencies, principally the federal government and the State of Florida. Any disallowed claims, including amounts already received, might constitute a liability of the District for the return of those funds. Management believes that all grant expenditures were in compliance with the terms of the grant and applicable federal and state laws and regulations.

Required Supplementary Information
Unaudited

Health Care District of Palm Beach County, Florida

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

(Unaudited)

Fiscal Year Ended September 30, 2020

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Ad valorem taxes:				
Current	\$ 139,050,000	\$ 139,050,000	\$ 139,191,016	\$ 141,016
Delinquent	100,000	100,000	231,208	131,208
Total ad valorem taxes	139,150,000	139,150,000	139,422,224	272,224
Intergovernmental:				
Grants	-	-	913,542	913,542
Palm Beach County School District	2,783,000	2,783,000	2,137,983	(645,017)
Total intergovernmental	2,783,000	2,783,000	3,051,525	268,525
Charges for services:				
Trauma services – Aeromedical (net)	2,867,584	2,867,584	1,682,428	(1,185,156)
Total charges for services	2,867,584	2,867,584	1,682,428	(1,185,156)
Investment and other income:				
Investment earnings	2,699,513	2,699,513	4,184,874	1,485,361
Other income	3,533,767	3,533,767	2,900,862	(632,905)
Total investment and other income	6,233,280	6,233,280	7,085,736	852,456
Total revenues	151,033,864	151,033,864	151,241,913	208,049
Expenditures:				
General government:				
Administration	1,204,696	981,097	1,225,797	(244,700)
Communications	374,332	139,461	288,718	(149,257)
Community engagement	-	458,471	428,436	30,035
Compliance	380,190	380,190	299,884	80,306
Corporate quality	47,708	47,708	195,379	(147,671)
District facilities	1,063,983	934,310	948,069	(13,759)
Employee health	-	-	504,693	(504,693)
Finance	1,236,628	1,236,628	1,271,507	(34,879)
Internal audit	181,506	181,506	117,038	64,468
Information technology – EPIC	-	-	158,087	(158,087)
Human resources	835,228	880,484	1,370,022	(489,538)
Information technology	3,606,983	3,366,431	3,443,918	(77,487)
Legal	611,216	611,216	638,968	(27,752)
Project management	164,771	489,739	495,214	(5,475)
Records management	277,214	277,214	224,242	52,972
Revenue cycle	-	-	1,011,793	(1,011,793)
Risk management	74,323	74,323	138,612	(64,289)
Security services	-	-	83,549	(83,549)
Transportation	500,000	500,000	-	500,000
Non-departmental	9,316,601	6,816,601	7,993,025	(1,176,424)
Total general government	19,875,379	17,375,379	20,836,951	(3,461,572)

(Continued)

Health Care District of Palm Beach County, Florida

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Continued)
(Unaudited)

Fiscal Year Ended September 30, 2020

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures (continued):				
Managed care:				
Medical services	25,100,000	21,200,000	12,600,892	\$ 8,599,108
Administration	5,178,254	5,178,254	4,908,380	269,874
Claims	772,189	772,189	330,750	441,439
Utilization management	1,460,774	1,460,774	1,346,339	114,435
Customer services	1,316,288	1,316,288	836,253	480,035
Provider services	704,507	704,507	574,399	130,108
Eligibility	1,637,980	1,637,980	744,826	893,154
Mailroom	464,430	464,430	352,690	111,740
Total managed care	36,634,422	32,734,422	21,694,529	11,039,893
Trauma services:				
Medical services	16,069,650	16,069,650	18,804,388	(2,734,738)
Trauma agency	750,190	750,190	687,369	62,821
Aeromedical	8,963,057	8,963,057	8,566,499	396,558
Total trauma services	25,782,897	25,782,897	28,058,256	(2,275,359)
School health:				
School health programs	21,627,553	21,627,553	20,469,445	1,158,108
Total school health	21,627,553	21,627,553	20,469,445	1,158,108
Pharmacy services:				
Pharmacy	4,760,323	4,760,323	4,704,083	56,240
Total pharmacy services	4,760,323	4,760,323	4,704,083	56,240
Funding collaborative:				
County health department grant	10,037,947	10,037,947	9,737,585	300,362
Sponsored programs administration	242,132	242,132	308,046	(65,914)
Total funding collaborative	10,280,079	10,280,079	10,045,631	234,448
Total expenditures	118,960,653	112,560,653	105,808,895	6,751,758
Revenues over expenditures	32,073,211	38,473,211	45,433,018	6,959,807
Other financing uses:				
Transfers out	(55,215,568)	(55,215,568)	(55,658,785)	(443,217)
Net change in fund balances	\$ (23,142,357)	\$ (16,742,357)	\$ (10,225,767)	\$ 6,516,590
Fund balance—beginning			122,822,839	
Fund balance—ending			<u>\$ 112,597,072</u>	

See notes to required supplementary information.

Health Care District of Palm Beach County, Florida

Medicaid Match Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Unaudited)

Fiscal Year Ended September 30, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Intergovernmental:				
Palm Beach County	\$ 5,900,000	\$ 5,900,000	\$ 5,900,000	\$ -
Investment earnings	3,788	3,788	1,018	(2,770)
Total revenues	<u>5,903,788</u>	<u>5,903,788</u>	<u>5,901,018</u>	<u>(2,770)</u>
Expenditures:				
General government:				
Medicaid Match	17,219,356	17,219,356	17,103,798	115,558
Revenues under expenditures	<u>(11,315,568)</u>	<u>(11,315,568)</u>	<u>(11,202,780)</u>	<u>112,788</u>
Other financing sources:				
Transfers in	11,315,568	11,315,568	11,202,780	(112,788)
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance—beginning			<u>609,042</u>	
Fund balance—ending			<u>\$ 609,042</u>	

See notes to financial statements.

Health Care District of Palm Beach County, Florida

Notes to Required Supplementary Information (Unaudited)

Budgetary Procedures and Budgetary Accounting

The District's enabling legislation requires the District Board to approve an annual operating budget and establish a millage rate in accordance with Chapter 200, Florida Statutes. The District adopts an annual budget for each fiscal year beginning October 1 and ending September 30, on a basis substantially consistent with accounting principles generally accepted in the United States of America. The General Fund and Medicaid Match Fund budgets are prepared using the modified accrual basis of accounting. The accrual basis of accounting is used for the enterprise fund budgets.

The District's budgeting process is based on annual estimates of revenues and expenditures/expenses and requires that the budget be adopted at the program level. Subsequent amendments to total budgeted revenues or expenditures, transfers of appropriations between funds, and transfers over a specified amount within a fund require approval by the District Board. Program budgets are monitored at the department and account level and transfers within a fund may be approved by management without District Board approval, up to a specified amount.

The District follows the following procedures in establishing the budgetary data reflected in the budget and actual schedules:

- The District's management submits a tentative operating budget to the District Board and the Finance and Audit Committee in July for the ensuing fiscal year commencing October 1. The tentative operating budget includes proposed expenditures/expenses and the revenue sources to finance them.
- The District advises the County Property Appraiser of the proposed millage rate and the date, time and place of the first public hearing for budget acceptance in July.
- Two public hearings are held in September—the first on the tentative budget and proposed millage rate and the second to adopt the final budget and millage rate.
- The budget and related millage rate (tax levy) are legally adopted by District Board Resolution, and the millage rate becomes the basis for the ad valorem taxes levied by the County Tax Collector.
- Appropriations not expended or encumbered lapse at the end of the fiscal year.

The budgeted revenues and expenditures in the accompanying budget and actual financial statements include both the originally adopted and final amended budget for the year ended September 30, 2020. The excess of expenditures over revenues, if any, for the original and final budget in the budget and actual financial statements is appropriated fund balance. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is utilized in the District's General Fund. All encumbrances lapse at fiscal year-end. Multiyear agreements and contractual arrangements that cross fiscal years can be re-encumbered when they have been included in the next fiscal year's approved budget.

The excess of transfers out over appropriations in the General Fund in the amount of \$443,217, is attributed to the General Fund transferring funds assigned in the prior year for the planned information technology system implementation to the Capital Replacement Fund.

Health Care District of Palm Beach County, Florida

Schedule of Changes in the Total OPEB Liability and Related Ratios (Unaudited)

September 30, 2020

Last Three Years

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 38,988	\$ 39,586	\$ 266,807
Interest	19,146	18,428	16,223
Difference between expected and actual experience	128,718	-	-
Changes of assumptions	50,396	6,185	(8,236)
Implicit benefit payments	(35,067)	(25,627)	(22,137)
Net change in total OPEB liability	202,181	38,572	252,657
Total OPEB liability – beginning	530,859	492,287	239,630
Total OPEB liability – ending	\$ 733,040	\$ 530,859	\$ 492,287
 Covered payroll	 \$ 83,880,000	 \$ 79,883,000	 \$ 76,490,000
 District's total liability as a percentage of covered payroll	 0.87%	 0.66%	 0.64%
 Measurement date	 9/30/2020	 9/30/2019	 9/30/2018

Notes to Schedule:

(1) Fiscal year 2020 assumption changes since prior valuation:

- Mortality improvement scale was modified from MP-2018 to MP-2019
- Discount rate was lowered from 3.58% to 2.14%

(2) This Schedule is presented to illustrate the requirement to show information for 10 years.

However, until a full 10-year trend is compiled, information for those years for which information is available will be presented.

Health Care District of Palm Beach County, Florida

Schedule of District Proportionate Share of Net Pension Liability (Unaudited)

Florida Retirement System Plans

September 30, 2020

Last Seven Years

Florida Retirement System	2020	2019	2018	2017	2016	2015	2014
Districts' proportion of the net pension liability	0.0005%	0.0004%	0.0005%	0.0006%	0.0007%	0.0011%	0.0009%
District's proportionate share of the net pension liability	\$ 218,327	\$ 129,871	\$ 154,566	\$ 189,758	\$ 169,053	\$ 143,204	\$ 57,284
District's covered payroll	\$ 165,210	\$ 185,312	\$ 199,062	\$ 220,000	\$ 241,375	\$ 336,632	\$ 354,626
District's proportionate share of the net pension liability as a percentage of its covered payroll	132.15%	70.08%	77.65%	86.25%	70.04%	42.54%	16.15%
Plan fiduciary net position as a percentage of the total pension liability	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%
Health Insurance Subsidy Program	2020	2019	2018	2017	2016	2015	2014
Districts' proportion of the HIS liability	0.0005%	0.0005%	0.0006%	0.0007%	0.0009%	0.0013%	0.0012%
District's proportionate share of the HIS liability	\$ 57,189	\$ 55,371	\$ 64,506	\$ 74,483	\$ 101,159	\$ 134,730	\$ 115,803
District's covered payroll	\$ 165,210	\$ 185,312	\$ 199,062	\$ 220,000	\$ 241,375	\$ 336,632	\$ 354,626
District's proportionate share of the HIS liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total HIS liability	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

This Schedule is presented to illustrate the GASB 68 requirement to show information for 10 years. However, until a full 10-year trend is compiled, the information for those years for which information is available will be presented.

Health Care District of Palm Beach County, Florida

Schedule of District Contributions (Unaudited)

Florida Retirement System Plans

September 30, 2020

Last Seven Years

Florida Retirement System	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 16,737	\$ 11,693	\$ 14,625	\$ 16,701	\$ 19,600	\$ 31,483	\$ 27,040
Contributions in relation to the contractually required contribution	(16,737)	(11,693)	(14,625)	(16,701)	(19,600)	(31,483)	(27,040)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 165,210	\$ 185,312	\$ 199,062	\$ 220,000	\$ 241,375	\$ 336,632	\$ 354,626
Contributions as a percentage of covered payroll	10.13%	6.31%	7.35%	7.59%	8.12%	9.35%	7.62%
Health Insurance Subsidy Program	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,699	\$ 2,748	\$ 3,305	\$ 3,687	\$ 4,449	\$ 14,617	\$ 15,084
Contributions in relation to the contractually required contribution	(2,699)	(2,748)	(3,305)	(3,687)	(4,449)	(14,617)	(15,084)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 165,210	\$ 185,312	\$ 199,062	\$ 220,000	\$ 241,375	\$ 336,632	\$ 354,626
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

This Schedule is presented to illustrate the GASB 68 requirement to show information for 10 years. However, until a full 10-year trend is complied, the information for those years for which information is available will be presented.

Individual Fund Financial Statements



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Agency Fund

Resident Agency Fund: This fund is used to account for assets held as an agent for residents of the Healey Center.

Health Care District of Palm Beach County, Florida

**Statement of Changes in Agency Fund Assets and Liabilities—Resident Agency Fund
Fiscal Year Ended September 30, 2020**

	Balance October 1, 2019	Additions	Deletions	Balance September 30, 2020
Assets				
Cash and cash equivalents	\$ 62,028	\$ 523,462	\$ (515,031)	\$ 70,459
Liabilities				
Accounts payable	\$ 62,028	\$ 524,263	\$ (515,832)	\$ 70,459
Net position	\$ -	\$ (801)	\$ 801	\$ -

Compliance Section

**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**

Independent Auditor's Report

The Honorable Chairperson and Members of
the Health Care District Board
Health Care District of Palm Beach County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Health Care District of Palm Beach County, Florida (the District), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 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 weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

West Palm Beach, Florida
June 18, 2021

**Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance**

Independent Auditors' Report

The Honorable Chairperson and Members of
the Health Care District Board
Health Care District of Palm Beach County, Florida

Report on Compliance for Each Major Federal Program

We have audited the Health Care District of Palm Beach County, Florida's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

West Palm Beach, Florida
June 18, 2021

Health Care District of Palm Beach County, Florida

Schedule of Expenditures of Federal Awards
Fiscal Year Ended September 30, 2020

Federal Grantor / Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Contract Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Health and Human Services:				
Direct awards:				
Health Resources and Services Administration:				
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care Centers, and School-Based Health Centers):				
Grant Year January 1, 2018 – December 31, 2018	93.224	6 H80CS25684-06-11	Not applicable	\$ 2,598
Grant Year January 1, 2019 – December 31, 2019	93.224	6 H80CS25684-07-02	Not applicable	122,647
Grant Year January 1, 2019 – December 31, 2019	93.224	6 H80CS25684-07-03	Not applicable	146,473
Grant Year January 1, 2019 – December 31, 2019	93.224	6 H80CS25684-07-04	Not applicable	89,733
Grant Year January 1, 2019 – December 31, 2019	93.224	6 H80CS25684-07-05	Not applicable	300,000
Grant Year January 1, 2020 – December 31, 2020	93.224	6 H80CS25684-08-00	Not applicable	2,924,610
Grant Year January 1, 2020 – December 31, 2020	93.224	6 H80CS25684-08-03	Not applicable	2,339,688
Grant Year January 1, 2020 – December 31, 2020	93.224	6 H80CS25684-08-05	Not applicable	1,596,880
Grant Year April 15, 2020 – March 14, 2021	93.224	1 H8CCS35088-01-00	Not applicable	133,617
Grant Year April 1, 2020 – March 31, 2021	93.224	1 H8DCS36001-01-00	Not applicable	1,790,935
Grant Year May 1, 2020 – April 30, 2021	93.224	1 H8ECS37839-01-00	Not applicable	300,911
Total Health Centers cluster				<u>9,748,092</u>
Covid-19 – Testing for the Uninsured	93.461	None	Not applicable	667,596
Total U.S. Department of Health and Human Services				<u>10,415,688</u>
U.S Department of the Treasury				
Passed through Palm Beach County				
Covid-19 – Coronavirus Relief Fund	21.019	R2020-0507	None	<u>2,938,777</u>
Total expenditures of federal awards				<u><u>\$ 13,354,465</u></u>

See notes to schedule of expenditures of federal awards.

Health Care District of Palm Beach County, Florida

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal awards of the Health Care District of Palm Beach County, Florida (the District) for the year ended September 30, 2020, except for the Provider Relief Funds described in Note 5. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in fund balance/net position or cash flows of the District. The District's reporting entity is defined in Note 1 of the District's basic financial statements.

Note 2. Summary of Significant Accounting Policies

The accompanying Schedule is presented using the modified accrual basis of accounting for expenditures accounted for in the governmental funds and the accrual basis of accounting for expenses of the proprietary fund types, which are described in Note 1 of the District's basic financial statements. Such expenses/expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Subrecipient Awards

Of the federal awards presented in the Schedule, the District did not provide any amounts to subrecipients.

Note 4. Indirect Cost Recovery

The District has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 5. Provider Relief Funds

The District received amounts from the U.S. Department of Health and Human Services through the Provider Relief Funds (PRF) program (Federal Assistance Listing Number #93.498) during the year ended September 30, 2020. The District recognized PRF revenue totaling approximately \$10,076,000 in its financial statements for the year ended September 30, 2020. In accordance with the 2020 Compliance Supplement Addendum issued in December 2020, this funding is not included in the accompanying schedule of expenditures of federal awards for the year ended September 30, 2020.

Health Care District of Palm Beach County, Florida

Schedule of Findings and Questioned Costs (Continued)

I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes

_____ X _____ No

Significant deficiency(ies) identified?

_____ X _____ None Reported

Noncompliance material to financial statements noted?

_____ Yes

_____ X _____ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes

_____ X _____ No

Significant deficiency(ies) identified?

_____ Yes

_____ X _____ None Reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?

_____ Yes

_____ X _____ No

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

93.461

Covid-19 – Testing for the Uninsured

21.019

Covid-19 – Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ X _____ Yes

_____ No

Section II – Financial Statements Findings

No matters to report.

Section III – Federal Awards Findings and Questioned Costs

No matters to report.

Section IV – Summary of Prior Year Audit Findings

No matters were reported in the prior year.

**Management Letter Required By
Chapter 10.550 of the *Rules of the*
*Auditor General of the State of Florida***

The Honorable Chairperson and Members of
the Health Care District Board
Health Care District of Palm Beach County, Florida
West Palm Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Health Care District of Palm Beach County, Florida (the District), as of and for the year ended September 30, 2020, and have issued our report thereon dated June 18, 2021.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 18, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. There were no recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This is disclosed in Note 1 of the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same. In connection with our audit, we determined that the District did not meet any of the conditions described in Sections 10.554(1)(i)5.b. and 10.556(8).

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of This Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the District's Board, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

RSM VS LLP

West Palm Beach, Florida
June 18, 2021



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Independent Accountant's Report

The Honorable Chairperson and Members of
the Health Care District Board
Health Care District of Palm Beach County, Florida

We have examined the Health Care District of Palm Beach County, Florida's (the District) compliance with the requirements of *Section 218.415, Florida Statutes, Local Government Investment Policies* during the period October 1, 2019 to September 30, 2020. Management of the District is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with the specified requirements.

In our opinion, the District complied, in all material respects, with the specified requirements during the period October 1, 2019 to September 30, 2020.

This report is intended solely for the information and use of the District's Board and applicable management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.



West Palm Beach, Florida
June 18, 2021



Health Care District
PALM BEACH COUNTY

The health care safety net for our community

Financial report prepared by
the Finance Department of the
Health Care District of Palm Beach County.

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